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EDITORIAL

As We See It

John R. Dunning, Dean of the Columbia School of Engineering and one of the leading nuclear physicists of the country, writing in the New York "Times" under the heading "If We Are to Catch Up in Science" has some important observations upon our position vis-a-vis Russia in the field of science and its application to defense as well as other things. At one point he tells the American people that "we have not merely fallen behind in one sector of our defense effort. We are becoming enfeebled in our basic ability to make a defense effort; the Soviets have been producing more scientists and engineers than we, training them at least as well as we, and channeling them into crucial areas more realistically than we. If we maintain our present growth we may graduate some 55,000 engineers in 1965—roughly as many as the Russians graduated in 1955.

* * *

"What is needed immediately is a fundamental revision of our attitude toward scientists, our training of scientists and our use of scientists."

In support of his position in this matter, Professor Dunning cites a recent study of Dr. H. H. Remmers of Purdue, which found that some 45% of a cross section of American high school students thought that their high school training was too poor to permit them to become scientists, 30% believed that one cannot raise a normal family and be a scientist, 25% thought scientists are "odd," and 14% thought they are evil. "These reflect parents' attitudes," Professor Dunning adds, "and the anti-intellectual images conveyed by the press, comic books and television."

The Professor has placed his finger upon our crucial difficulty in keeping abreast—not to say

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Our Economy's Performance —Today and Tomorrow

By DR. JOHN V. LINTNER*
Graduate School of Business Administration
Harvard University

Harvard economist views the future with confidence, and for the next several months anticipates the economy will remain on an even keel, with some downturn probable in the first half of 1958. In evaluating the economy's favorable and debit sides, Professor Lintner foresees in the immediate period ahead, assuming unchanged Federal spending and tax rates, such specifics as: (1) $2 billion capital spending downturn offset by state and local outlays; (2) moderate improvement in housing, and decline in inventory purchases, and (3) maintenance of current consumer spending rates with some increase in first half of 1958.

A recent headline in the business section of the New York "Times" read "Things Aren't Bad—Just Confusing." Whether things are really all right or not, there is surely no doubt about the general confusion and uncertainty over the business outlook. At such times it is usually helpful to take a good hard look at the facts of the situation and try to interpret these in the light of a little historical perspective.

John Lintner

The first section of these remarks will be focused on where business activity stands today and the major changes which have occurred during the current period of recovery and prosperity. I will then look ahead and assess the prospects for general business conditions and money market rates over the next nine to twelve months. The present uncertainty over business prospects comes at a time when the overall

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*An address by Professor Lintner at a forum sponsored by Trainer, Wertheim & Company, Harvard Club, New York City, Oct. 28, 1957.

Income Tax Pointers for Present Security Market

By J. S. SEIDMAN, C. P. A.
Seidman & Seidman, New York City

Nationally known accountant briefs individual and corporate investors on income tax pointers they should be aware of for the present security market. After explaining tax-application to capital gains profits and losses, Mr. Seidman stresses tax advantage in watching six months line, spacing between years, short sales, and converting dividends and interest into security profits. Outlines specifics corporate investors should consider, and provides crucial dates for and explains timing year-end sales. Though securities are specified, points out that discussion also applies to commodities, foreign exchange, real estate, etc.

"Capital gain" is still a magic word in Federal income taxes. The reason is simple. Individual tax rates can go to 91%. Corporate rates can go to 52%. But with a capital gain, Uncle Sam's maximum take is 25%. Hence, the big push is for capital gains.

J. S. Seidman

What is a capital gain? By and large, it is the profit on the sale of anything other than the merchandise of a business. A common example of a capital gain is the profit made by an investor on the sale of stocks and bonds.

Everything in this article will be described in terms of securities, but what is said will also apply to commodities, foreign exchange, real estate, etc. Furthermore, in trying to keep it brief and simple, the many refinements and exceptions in the tax law will be omitted.

The rules for the security "investor" are different from the rules for those who do enough buying and selling to be a "trader" or "dealer." Only the investor

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a comlete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

ALAN K. BROWNE
Vice-President Bank of America N. T. & S. A.
San Francisco, California

State of California General Obligation Bonds

To the many readers of the "Chronicle," it may appear unusual to suggest a security other than some common stock. However, I would think that the average investor would like to consider some other investment medium which might appeal as being a particularly attractive form of investment at this time.

Alan K. Browne

Municipal bonds are not so unusual, nor are they so scarce, that they should be shunned by the average investor. First, it is important to consider whether or not municipal bonds can provide income, security or market appreciation sufficient to cause the average investor to place some of his investment funds in this fixed income category. At one time municipal bonds were considered as only being of interest to those individuals receiving substantial income and, of course, institutional investors subject to Federal income taxation. With higher income taxes and larger incomes, the base has broadened, so that today most investors can seriously consider municipal bonds in the development of their investment program. The "tight" money market having created higher yields on municipal bonds—almost the high point in over 20 years — further emphasizes the buying opportunities in municipal bonds.

Municipal bonds to be typical of a "security I like best" must be selected on a somewhat different basis than the usual diversified portfolio of stocks. In discussing the "security I like best" among municipal bonds, I have been somewhat prejudiced in my selection, but I believe the facts will speak for themselves.

The "security I like best" is a general obligation bond of the State of California. Readers must understand that the use of "general obligation" encompasses bonds of varying maturities, interest rates and purposes, as applied to State of California bonds. As all have the same credit base, they can be lumped together and considered as one credit.

There are several simple characteristics which can be generally applied to municipal bonds, in determining their credit qualities. To begin with, general obligations of the State of California are issued by the State and sold at public sale. Bonds must be authorized by a majority vote of the electorate, approving a State Constitutional Amendment which must have been approved by the Legislature.

Bonds are issued for various State purposes. In recent years most bonds have been issued for Veterans' Aid and School Aid. Some harbor improvement bonds have been sold and some institutional building bonds have been authorized. California has not authorized any Veterans' Bonus Bonds, preferring to offer eligible veterans the opportunity of buying homes and farms through loans, at relatively low rates of interest. The School Aid Program permits school districts which have reached their bonded debt limit to authorize a State loan, in the same manner as a district bond issue. Such loans are being paid back through taxation.

State of California general obligations are supported by the taxing power of the State, though in actual practice the State has not levied an ad valorem property tax for over 40 years. Debt service on the State's general obligations is paid from the General Fund. However, certain funds provide a measure of self support for some of the State's general obligations by transfer to the General Fund. The Veterans' Aid Bonds and Harbor Improvement Bonds are considered fully self-supporting, while various building bonds and 10th Olympiad Bonds are secured by sinking funds.

The income from State of California municipal bonds is exempt from Federal income taxes, under existing statutes and court decisions.

The State of California has weathered its share of financial storms. Its debt payment record is good. History indicates that it was in default on interest on certain of its obligations in 1854, presumably unlawfully incurred. However, as evidence of good faith, all such indebtedness was funded and the record cleared. There is no record of any default or temporary delay in payment debt service in the ensuing years.

California's per capita debt is in line, being a little over $33. This compares with $44 for New York, $58 for Pennsylvania and $123 for Massachusetts. Total debt as of Oct. 23, 1957, was $1,162,-476,000 and net debt was 485,555,-000. The comparative data in the accompanying tabulation, compiled as of April 1, 1957, presents additional material of interest.

In recent years, Veterans' Aid Bonds have been issued with maturities running two to 21 years; School Aid Bonds from three to 27 years; and Harbor Bonds from six to 30 years. The longest maturity of State of California general obligation bonds is an issue of Harbor Bonds due July 2, 1989, subject to sinking fund retirement.

The following is a thumbnail sketch of some of the compelling reasons why State of California bonds represent the "Security I Like Best":

(1) California's economy is highly diversified.

(2) Per capita wealth is well above national average.

(3) Natural resources are extensive and locations strategic.

(4) Growth has been dynamic.

(5) Tax base is broad.

(6) Debt burden is modest.

(7) Financial record has been excellent.

(8) Bonds are general obligations—many additionally supported by special revenue.

(9) They are legal investments for savings banks and trust funds in New York, California and certain other states, and for savings banks in Massachusetts and Connecticut.

(10) Bonds are in coupon form, registerable only as to principal and interest in denominations of $1,000.

(11) Principal and semi-annual interest is payable at the office of the Treasurer of the State of California in Sacramento, Calif., or, at the option of the holder, at the office of any duly authorized agent of the State Treasurer, including agent of the State Treasurer in New York City.

(12) Bonds are traded national-

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Comparison of California With the Ten Largest States

	CALIFORNIA	NEW YORK	PENNSYLVANIA	OHIO	MICH.
Population 1950	10,586,223	14,830,192	10,498,012	7,946,627	6,371,766
1956	13,600,000	16,195,000	11,159,000	9,096,000	7,516,000
Increase	28.5%	19.2%	6.3%	14.5%	18.0%
Assessed Value	$21,818,921,643	$31,930,588,437	$15,296,471,000	$21,804,609,056	$13,481,718,116
Per Capita	1,604	1,972	1,371	2,397	1,794
1955 Personal Income (U. S. Dept. of Commerce)	29,438,000,000	36,255,000,000	20,724,000,000	18,442,000,000	15,632,000,000
Per Capita	2,271	2,263	1,902	2,062	2,134
Net Bonded Debt	452,350,000	712,684,795	647,187,769	306,720,000	231,107,000
% Assessed Value	2.07%	2.23%	4.23%	1.41%	1.71%
% Full Value	0.60%	1.45%	1.34%	0.84%	1.32%
% Personal Income	1.54%	1.97%	3.12%	1.66%	1.48%
Per Capita	$33.26	$44.01	$58.00	$33.72	$30.75
Total Revenue (Latest Fiscal Year)	1,577,917,406	1,308,864,194	861,234,279	1,163,757,515	787,522,861
% Personal Income	5.36%	3.61%	4.16%	6.32%	5.04%
Per Capita	$116.02	$80.82	$77.18	$127.94	$104.78
1955 Income—Agriculture (U. S. Dept. of Agriculture)	2,644,620,000	804,486,000	738,196,000	991,358,000	645,677,000
Per Capita	194.46	49.67	66.19	108.99	85.91
Value Added by Manufacture (1954 Census)	8,670,358,000	14,149,442,000	9,939,939,000	10,153,718,000	8,733,649,000
Per Capita	637.53	873.69	890.76	1,116.28	1,162.01

	ILLINOIS	TEXAS	MASS.	NEW JERSEY	N. C.
Population 1950	8,712,176	7,711,194	4,690,514	4,830,329	4,061,929
1956	9,361,000	8,925,000	4,812,000	5,403,000	4,423,000
Increase	7.4%	15.7%	2.6%	11.7%	8.9%
Assessed Value	$27,601,900,590	$9,897,990,815	$8,589,571,775	$7,349,220,000	$5,943,199,000
Per Capita	2,949	1,109	1,785	1,360	1,344
1955 Personal Income (U. S. Dept. of Commerce)	20,988,000,000	14,116,000,000	10,010,000,000	12,304,000,000	5,371,000,000
Per Capita	2,257	1,614	2,097	2,311	1,256
Net Bonded Debt	239,126,619	98,410,400	594,367,897	111,155,000	229,990,000
% Assessed Value	0.87%	0.99%	6.92%	1.51%	3.87%
% Full Value	0.87%	0.49%	4.84%	0.51%	2.90%
% Personal Income	1.14%	0.70%	5.94%	0.90%	4.28%
Per Capita	$25.54	$11.03	$123.52	$20.57	$52.00
Total Revenue (Latest Fiscal Year)	700,554,504	913,422,792	301,634,801	443,720,305	363,992,506
% Personal Income	3.34%	6.47%	3.01%	3.61%	6.78%
Per Capita	$74.84	$102.34	$62.68	$82.12	$82.30
1955 Income—Agriculture (U. S. Dept. of Agriculture)	1,710,539,000	1,916,132,000	171,887,000	309,646,000	942,757,000
Per Capita	182.73	214.69	35.72	57.31	213.15
Value Added by Manufacture (1954 Census)	9,461,592,000	3,508,133,000	4,334,673,000	6,266,655,000	2,197,461,000
Per Capita	1,029.97	393.07	900.80	1,159.85	496.83

This Week's Forum Participants and Their Selections

Achieving Greater Efficiency From Our Untapped Oil Reserve

By M. J. RATHBONE*

President, Standard Oil Company (New Jersey)

Sheer economic necessity, not just social responsibility, requires increased research efforts in order to augment crude oil recovery and keep costs at lowest possible level which, Mr. Rathbone insists, involves raising present research expenditures of less than one-half of 1% of all the money the producing industry spends to 2% to 5% commonly spent in other technical industries. The oil head decries small land divisions and competitively dictated excessive oil drilling practices in urging unitization of oil field drilling and further secondary recovery efforts. Calls on producers to share in research costs and in overcoming current over-supply condition.

The domestic producing industry has an important responsibility to our nation. A large part of this responsibility lies in maintaining adequate sources of supply; our country now gets 68% of its energy requirements from oil and gas and forecasts indicate that Americans will be calling on these same fuels for 70% of the much larger volume of energy they will need 20 years from now. These facts have required and will continue to require tremendous efforts on the part of the U. S. producing industry.

M. J. Rathbone

But I think it is increasingly apparent that the domestic producers' responsibility to the United States goes beyond the hard, constant work needed to find and develop the supplies which our people need. In addition to making sure that there is enough of our products to meet demand, it seems to me that producers also have the growing obligation to hold costs down so that the prices to consumers can be kept at the lowest practical level.

Holding costs down assumes even greater importance during periods of oversupply, such as we have been experiencing. I might add, here, that I will have more to say about our supply situation later on in this talk. Before doing that, however, I would like to get into this important question of efficiency.

As businessmen, we are part of a system dedicated to seeking ways to greater efficiency. Indeed, this is the whole justification of competitive capitalism. Today, as members of the American business system, we have the very real obligation to demonstrate our ability to give customers what they need at prices they can afford. This is so because everywhere, including the United States, there is growing concern about the dangers of inflation, which is driving prices higher and is cutting into the value of peoples' income and savings. Although it is not the responsibility of the businessman alone to control inflation, he can make a significant contribution to this important end by increasing his efficiency.

As oilmen, we must also recognize the fact that we face constant competition both within our own business and from the suppliers of other fuels. This competition would, by itself, be reason enough for all of us to strive to reach the greatest possible levels of efficiency. Unless we do, we cannot realistically expect other segments of the industry, the American public, or the government to be as sympathetic to the problems we face in the producing business, as we would like them to be. Holding costs down is also very important in assuring that the oil industry's profit margin and cash generation will be sufficient to provide the incentive and the capital needed to find and produce future supplies.

These reasons make it clear that higher levels of efficiency in the domestic producing industry are essential both to the producer and to the consumer. And it seems equally clear that one of the main roads leading to these higher levels of efficiency is that of technical progress—and by this I do not mean the day-to-day, routine engineering and research with which we are familiar, but, rather, bold, imaginative and freshly creative research methods. Indeed, I believe that by taking full advantage of the technical progress we have made so far, and by vigorously pressing forward new frontiers of technical knowledge, the domestic producer can help open up a whole new and more profitable era for the American oil business.

It will not be considered news I am sure, that for the past several years costs of finding, developing, and producing crude oil have been rapidly mounting. Cash expenditures of the United States producing industry have risen from $2 billion in 1946 to $7.5 billion in 1956. Increases in income have not kept pace with these increases in expense, with the result that returns on the producers' investment have been progressively reduced. Looking into the future, and assuming only normal progress in efficiency, it seems more than probable that costs will

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*An address by Mr. Rathbone before the Annual Meeting of the Independent Producers Association of America, Dallas, Texas, Oct. 29, 1957.

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*Column not available this week.

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Dining On Time

By Dr. IRA U. COBLEIGH
Enterprise Economist

Offering some food for thought about one of the unique and most rapidly growing corporate enterprises of our time, Diners' Club, Inc.

It's happened to many of us. You sit down to dinner with milady, or perhaps an unrelated doll-girl, in a posh restaurant, order the works from antipasto to anisette, reach for your wallet and—pow—you're $30 shy! What to do? Offer your check? They don't know you! Volunteer in the dish washing department, tender your wrist watch, or perhaps a ring as a hostage? Possible, but embarrassing and usually rejected. Or make a frantic phone call to someone you know to cab over, pronto, with the bail money?

Ira U Cobleigh

Well, dry your eyes! All that is now a thing of the past, thanks to an amazing young organization called Diners' Club, Inc. Here's how it works. You pay them $5 a year. That makes you a member, and causes a credit card to be issued in your name—a card honored all over the United States, in Europe, Japan, Australia, and in many South American countries. Now this card is not, however, honored everywhere as, for example, a traveler's check would be, but it is and will be, honored, not only in thousands of restaurants, cafes, night clubs and hotels which subscribe to the plan, but at Hertz car rental agencies, gift shops, flower and liquor stores, and at certain employment and service organizations. You join so that your tabs can be billed to you (and perhaps to document an expense account). They (the restaurants) join because they believe it will bring them more customers—that people will get in the habit of patronizing the places listed in the Diners' Club membership roster, in 77 nations. For the privilege of displaying a Diners' Club membership sign, and thus attracting card holders, the subscribing restaurant agrees to pay, or rebate, 7% of each gross check, to Diners' Club.

As a matter of operation and bookkeeping practice, Diners' Club bills out charges incurred by all members, each month, and expects each member to pay promptly (within 30 days). The Club, in turn, pays all restaurants, etc., within 30 days. So everyone is happy and nobody gets hung up. There are, of course, a few backsliders. Credit cards are re-issued every 4 months just to keep names, addresses and solvency on a current basis; and those habitually laggard in paying their bills (regularly taking more than 30 days to get the dough up) are dropped. Thus the membership list is not only kept current, but highly creditable.

At the start of this enterprise (back in 1950) it wasn't too easy to get people to pay $5 for a credit card they might not use frequently, particularly when (at that time) there were relatively few establishments honoring them. And among restaurants, the requirement to give up 7% of gross on member billings, created considerable sales resistance. Now that the thing has really caught on, however, individual membership is zooming ahead, and eating establishments, instead of being solicited, write in to get on the membership bandwagon. This is obviously a sound idea and it has created a dynamic company with a remarkable growth rate in both gross revenues and net earnings.

About 65% of the income comes from the $5 memberships (which may include more than one card, as a man and wife; or the members of a firm). The rest comes from the discounts—7% on most of the business, but as high as 10% on certain services, and 15% in foreign countries. $5 memberships are growing at the rate of about 15,000 a month with cancellations and lapses of between 1,500 and 2,000 a month. The Diners' Club, Inc. fiscal year ends March 31. At the 1953 fiscal year-end there were 60,000 members; 1954, 90,000; 1955, 160,000; 1956, 250,000; and 1957, 410,000. This velocity of membership growth is little short of fantastic.

It has also resulted in remarkable forward motion in gross and net earnings. Again using fiscal years, total volume of charges has advanced from $10.7 million in 1953, to $64 million in 1957; and net after taxes has, in the same period, moved ahead from $82,000 in 1953 to $782,000 in 1957. The gross for the 1958 year is being estimated in the order of $110 million with a net of around $1,500,000.

Rate of profitability has become quite predictable—slightly above 1% of gross, and this after allowance of about 7% of billings for soggy accounts and bad debts.

Here, then, is a very interesting and practical application of consumer credit to a new field. Its appeal is primarily to corporations which can, through Diners' Club charge accounts, better control, audit and check travel and entertainment expenses (and, incidentally, pare the padding of salesmen's expense accounts, which have been a little too imaginative); and to individuals beginning at around the $9,000-a-year income bracket. Diners' Club has had competition and imitators, but seems now to have gotten far enough ahead of the pack in prestige, performance, and the numbers of its members and subscribing enterprises to have rather clear sailing. It is not to be expected, however, that the rate of growth will continue on the same upward slope established in the past five years. Also, in consideration of this enterprise, it must be noted that it is as yet untested by any depression. People are highly solvent these days, and pay their bills in full and promptly. And Diners' Club membership is culled from the more opulent. But there is a possibility of some payment slippages if we move into an economic backspin. (Average card holder billings are now running at about $165 per year.)

The common stock is listed on the American Stock Exchange. It is actively traded there under the symbol DNR and has ranged this year between a low of 16¼ and a high of 46. 1957 per share net is estimated at around $3. A 2-for-1 split of the common has been announced, payable to holders of record on Nov. 25, 1957. The dividend on existing shares this year has been 6% in stock.

There was, we hear, some talk of a possible merger between Hertz Corp. and Diners' Club, Inc. This corporate blending, however logical, would depend importantly on the market relationship between the prices of the equities in each company. Since Diners' Club shares have advanced more dramatically, that fact might well present current impediment to merger, on an icy analysis of the mutual *quid-pro-quos*.

There can be no doubt that DNR is the sort of stock that excites the imagination of speculators. The new idea, the pace of expansion in gross and in profitability; the merger gossip; and the fact that here is a company that's not treading water, but growing by leaps and bounds—all these factors suggest that DNR may continue to be an animate performer in a tired market. These Diners' shares may not be sufficiently seasoned for your taste, but you might wind up buying a Diners' Club card for the little woman for Christmas. She likes to eat, doesn't she?

Miller With Reynolds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jack H. Miller has become associated with Reynolds & Co., 39 South La Salle St. Mr. Miller was formerly with Goldman, Sachs & Co. in Cleveland and prior thereto was Columbus manager for Baxter, Williams & Co.

Union Security Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—May H. Riordan has been added to the staff of Union Security Company, 29 South La Salle Street.

With Armstrong Jones Firm

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Ray F. Thomas is now affiliated with Armstrong, Jones, Lawson & White, Incorporated, Penobscot Building, members of the Detroit Stock Exchange.

Two With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—H. Earl Cook and Mary J. O'Banion are now affiliated with E. F. Hutton & Company, 110 West 10th Street. Mr. Cook was formerly with the Federal Deposit Insurance Corporation. Miss O'Banion was with Burke & MacDonald.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
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Commodity Price Index
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Auto Production
Business Failures

The steel market this week is heading into a year-end lethargy with inventory cutbacks at both the mill and steel user level holding down steel output, "The Iron Age" reports. It has estimated the mills have built up about a million tons of semi-finished and finished steel and are now working off some of this stock to improve their cash position for year-end financial statements. Steel users, of course, are still living off inventories as much as possible, it further notes.

Mill inventory cutting strikes another blow at the already-reeling iron and steel scrap market. In a situation of this kind, the mills are generating more scrap from their own operations on the one hand and using less scrap on the other. So there is less need to buy scrap on the open market, this trade weekly declares.

The automotive industry which plays a very important role in the steel picture advanced its output by 9% last week, according to "Ward's Automotive Reports," bringing passenger car assembly operations for the country to an eight-month high for the period. Operations were the highest since the week of March 18-23 this year, leaving 50% of the industry's assembly plants in the United States still on a Saturday overtime basis.

Construction outlays in October slipped seasonally from September, but they were the highest for any October on record. Private outlays for public utilities reached a new high for any month, while industrial building contracts dipped somewhat. The United States Departments of Commerce and Labor predicted that total outlays for construction for all of 1957 would reach $47,000,000,000, the highest on record. This would be the twelfth consecutive annual high, it stated.

The state of employment in the week ending Nov. 2, the United States Department of Labor reports, saw 278,200 new claims for unemployment compensation filed, an increase of 17,100 from the previous week. That increase, said the agency, was about normal, but was 76,260 higher than the corresponding figure in 1956.

Total insured unemployed was listed at 1,284,000 for the week ending Oct. 26. This was up 44,600 from the previous week and 385,400 from the year-ago week, it declared.

Pennsylvania reported the largest increase in initial claims, primarily because of temporary layoffs in anthracite mining, primary metal and apparel industries, the department said.

A joint report by the United States Departments of Commerce and Labor pointed out that unemployment remained steady at 2,500,000 at mid-October, a time it normally declines.

The total was about the same as last month but up 400,000 from a year ago, the agencies said. Employment edged up 300,000 since mid-September to 66,000,000, about the same as a year ago.

Nearly all of the October gain in employment, the joint report added, came from a recovery in the farm work force, much of which was idled by bad weather at the time of the mid-September report.

This gain was tempered by widespread reductions in manufacturing, the departments said, particularly in steel works, foundries and plants producing metalworking, electrical and general industrial machinery. Job declines also were reported in household machinery and appliances and in transportation equipment and aircraft.

The departments said the October drop in manufacturing employment was the tenth consecutive monthly decline after allowance for normal seasonal fluctuations.

The book value of manufacturing and trade inventories was up slightly by $100,000,000 over August on a seasonally adjusted basis, but this increase was only half the $200,000,000 average gain of earlier months this year, reports the United States Department of Commerce.

At the end of September, the total book value of all manufacturing, wholesale and retail stocks was $91,400,000,000, on a seasonally-adjusted basis. An increase of $200,000,000 in retailers' stocks was partly offset by a drop in manufacturers' inventories. Wholesalers' stocks were unchanged.

Total manufacturing and trade sales from the end of August to Sept. 30, on a seasonally-adjusted basis were off $700,000,000, the Commerce Department said. The bulk of the decline came in manufacturing sales which, at $28,200,000,000, were off $400,000,000 in September from August. However, manufacturing sales were still ahead of the like month of 1956 by $1,100,000,000.

A Commerce Department spokesman observed that the lesser increase in inventory value indicated "some liquidation" among manufacturers in response to the easing off of business. Business generally has held a cautious attitude toward inventory accumulation all this year, he continued. Last year's increase over 1955 totaled $4,000,000,000, he said, while the increased value of business inventories for the first nine months of this year was running at an annual rate of only about $1,500,000,000.

A good showing was made in the automotive industry last week as a 9% jump in operations brought passenger car assembly in United States plants to an eight-month high for the period.

"Ward's Automotive Reports" stated that the 137,404 cars scheduled for construction the past week compared with 126,139 the week before. The same week in 1956 netted 132,087 units.

During the week operations were the highest since March 18-23 this year and 50% of the industry's assembly plants which embraced Ford and General Motors were still on a Saturday overtime basis.

The statistical service counted truck output at 2[illegible]417 units last week as against 21,226 in the week preceding. "Ward's" commented that "The fact that truck production is being [illegible]minated

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Observations . . .

By A. WILFRED MAY

ON MARKET FORECASTING AND TIMING*

In discussing stock market forecastability, let us first consider the proper place of forecasting in the investing process. Second, the reasons for the continuous boom in the public's forecasting proclivities. Third, weighing of the results in actual practice which have been actually achieved by various categories of experts in their attempts to time market movements. Fourth, the reasons making the negative results inevitable. Fifth, the fundamental fallacy of the concept of The Market as a single entity, and the concept of a trend, and; Sixth, the alternative of a sound investing approach.

A. Wilfred May

It is, of course true, that some amount of forecasting is present in all our activities. In conducting a commercial business some risky participation is engaged in, or at least implied, as in the automobile manufacturer's dependence on annual style acceptance of his new models; and as is often inherent in financing arrangements. And in farming, the outlook for the weather is a key to the likely supply and demand situation. But it must be remembered that in productive business and farming, forecasting is engaged in as an *unavoidable* necessity, as *incidental* to the major productive effort, and is usually minimized as much as possible. In investing operations, on the other hand, while some assumption about the future of course must be made, the investment community stresses the forecasting elements far beyond the incidental and the unavoidable.

Furthermore, an important standard in determining whether one is acting as an investor, speculator, or gambler is the *relative* emphasis placed on prediction. The closer one approaches a genuine investment attitude, the more will forecasting, along with other risks, be minimized. Conversely, the speculator-gambler dealing in risks, concentrates on forecasting.

That Prophets Boom

Let us now talk about the remarkable growth of the *Prophets Boom!* In direct contrast to the depression which Wall Street as an investment business has had off and on ever since the halcyon 1920's, its "forecasting division" assuredly has been enjoying a boom which is continuing and unceasing.

The attempt to forecast changes in security prices as such, in lieu of concentrating attention on value factors (as outlined in my last lecture) is generally based on *market* analysis as distinguished from *security* analysis. Such *market* analysis is of two kinds: first, that considering all kinds of economic, business and political factors; and second, that which, via the so-called "technical" approach, finds the data for its predictions exclusively in the past performance of the market itself (as through charts plotting the action of individual stocks or the averages)—and based on the major premise that the market is its own best forecaster.

*Transcript from one of a current series of lectures at the New School for Social Research, New York City.

Typically, the remarkable growth in the popularity of this category of prediction is evident in the literature now being broadcast by the services, and in the voluminous costly advertising of their wares in our newspapers and financial journals; with the degree of public acceptance of the advisory services seemingly being directly proportioned to the embodiment of the crystal ball—the public loves it!

Reasons for Popularity

Now, for its motivation. There seem to be a variety of reasons, mostly psychological, for such popularity of the prophecy system, particularly of the so-called "technical" methods of gauging the action of the market as a whole. First, an ordered system, particularly when supported by *charting*, supplies a welcome emotional *escape* from the difficulties involved in the alternative approaches, such as the ability and rigorous self-discipline required for the business-like analysis and the valuation of individual securities which we are detailing in this course. The popularity of forecasting via market systems also stems from disillusionment over the well-publicized shortcomings of past business and general economic predictions. The mental gymnastics involved in contemplating a pictorialized market trend, particularly as projected into the future, is tempting for its seeming simplification as well as for pure enjoyment as an indoor sport. The illusion that it is easy to beat the game, to follow Baron Rothschild's advice to buy *sheep* and sell *deer* by catching the swings with *tours de hindsight* in lieu of *tours de force-sight*. This normal ambition seems to be irresistibly fostered by one's easy reflection with day dreaming over past-performance charts that depict sharp, but completely irregular up and down swings like the racing form dopesters technique. "How easy to have caught the up-and-down swings," is the easy thought in rationalizing hindsight as foresight!

The Game Appeal

Then there is the *game* appeal. Forecasting of all varieties, and certainly in the stock market, seems to afford a liberal measure of appeal as a *game* as such—playing the market as in indulging in a contest of trying to outguess the crowd. Stock-market playing, as an extension of market forecasting may be likened to the game of musical chairs in which someone is certain to lose, but in which each of the players—hoping it will not be he—meanwhile has a good time. (As I inserted here when I compiled these notes last July), I'm assuming that you're not always going to have a bull-market or the benefit of a five-year movement in one direction. Another major stimulus to forecasting activities stems from the present and prevailing over-emphasis on, and misconception about, liquidity. So-called market liquidity is a prevalent concept which is completely dangerous and invalid in identifying market price with value, and in concentrating investors' efforts on attempts to discern price trends in lieu of value factors.

In their complete misconception of the basic nature of the common stock, the market timing technicians blithely overlook the fact that, essentially, as I pointed out in my last lecture, a share in a business listed on an exchange is not different from a share in a business not listed; and cause the business value elements of the listed share to be dwarfed in importance by their rapidly changing attitudes toward the market as a whole. In their false concept of market liquidity, the forecasters make of a security a kind of counter in the ebb and flow of market movements. Without realizing it, no doubt, they are dealing in *prices* instead of dealing in *value*, attempting to anticipate the extent to which their *fellow public* will subsequently cause the price level to diverge from value; trying to outwit the market's *other* buyers and sellers; trying to outforecast their fellow forecasters. In this process of style forecasting and Blue Chip-itis (which term I have coined), also, the investment community has become engaged in a kind of strategic game — like Machiavelli's practicing of the second degree lie—ali in contrast to value analysis.

Fourth Degree Beauty Contest Technique

The investor's inordinate attention concentrated style-wise on guessing what his fellow investors are going to think and do, on both sides of the Atlantic, has been aptly described by that ubiquitous economist, Lord Keynes, as follows: "Professional investment may be likened to those newspaper competitions in which the competitors have to pick out the six prettiest faces from 100 photographs. The prize being awarded to the competitor whose choice most nearly corresponds to the average preferences of the competitors as a whole. So, each competitor has to pick, not those faces which he, himself, finds prettiest but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view. It is not a case of picking those who, to the best of one's judgement are really the prettiest, or those which average opinion generally thinks the prettiest; we have reached the third degree where we devote our intelligence to anticipating what average opinion expects the average opinion to be. And there are some, I believe, who are practicing the fourth, fifth and higher degrees." And there I give you the key to the prevalent neglect of logical value factors — epitomized in the Blue Chip-itis which has been so overdone.

The Actual Results

Now let's take a look at the results actually achieved in practice. So that we are not just engaging in an academic discussion, let us weigh what has actually happened in market performance and assay the results that have been achieved in the market place by various categories of forecasters. Fortunately, there are available findings along this line which are disinterested and reliable. The Cowles Commission for Research and Economics, which you have all heard of, in two major studies found that the forecasting efforts of financial publications, services and of Dow Theory practitioners, have been generally fruitless. In fact, these experts' forecasts were found to be correct less than 50% of the time—in other words, coin-tossing would have yielded better results. Similar negative results in predicting and interpreting movements of the market as a whole, in contrast to their fine work in analyzing individual issues, were arrived at in brokerage house's opinion, as found in an extensive survey made by two students at Columbia, E. F. Underwood and M. C. Nelson, under the direction of Benjamin Graham at the Columbia School of Business.

Further indications of the *experts'* trend-forecasting *difficulties* is furnished by the performance of those investment companies which center their efforts in timing the market movements of the standard issues. The long-term record, substantiated by a recent exhaustive study, shows that instead of swing catching, better results were gained through long-continued holding in the same issues, as the Blue Chips in the Dow-Jones average.

"Coppering" the Professionals Advisable

Further evidence of the market forecasting shortcomings by the Street's professional element is offered by the varying size of the short interest as published monthly by the New York Stock Exchange. These data, usually showing a reduction of the bears commitments at market peaks and their enlargement at market bottoms show how the highest echelons of the professionals fail to anticipate market swings. In other words, the professionals are usually bullish at the top and bearish at the bottom. Likewise abortive in forecasting *general market movements* are the efforts of the *economists, statisticians and analysts*, who are so able in forming conclusions about individual securities. In fact, Wall Street sophisticates, including these experts themselves are prone to use "bucketing"—that is, acting contrary to their own experts' majority forecasts, as a guide to the market's future. At their forecasting bull sessions, the surest bet is to "copper" the majority opinion; and the greater the majority, the more confidence is there in the "bucketing." These economists and analysts, along with the services, are highly successful in evaluating individual issues on quantitative criteria, in contrast to their ineffectiveness in general forecasting.

Reasons for Failure

Within my time limitations, I can only outline a few of the reasons why attempts to time market movements must fail. First, let us consider predictions based on external factors: Political, economic, and financial. Such incidents have ranged all the way from the President's heart attack to Sputnik Number One. A more constant imponderable is the steadily rising government interventionism, including defense spending which continuingly confronts the short-term market forecaster with the necessity of foretelling and interpreting the highly relevant Washington moves. The tax outlook, always politically governed also typically illustrates another important imponderable as far as *investor* effects are concerned. Take the uncertainty of the tax legislation which will be passed in the next session of the Congress—particularly if we should be in a depression.

Currently popularized to the house tops, the inflation threat confronts the short-term forecaster with another dilemma. Will whole-hog dollar depreciation result from armament needs, from wage-price spiralling; or perhaps from anti-depression measures by the government; or, on the other hand will these inflationary elements be counterbalanced by the nation's enormous productive capacity, credit restriction and general controls? Remember midst the prevalent emphasis on inflation—and the assumption that inflation is a one-way street—that after the First World War; from 1921 and the price level existing at that time, prices declined and remained lower for 25 years and didn't get back up to their 1921 level until 1946 following another World War. So, even though you may have an inflation over a hundred year cycle, there can be intervening counter movements going on unpredictably for periods of from three months to 25 years. And this has similarly occurred in other countries, as I will show in next week's lecture.

Must Win a Parlay

Now, I would like to talk a moment about what I call the *parlayed* forecasts — to borrow a race track term. The forecaster must win a double "bet." First he must be correct in foretelling not only the external events; but also, equally important and even more difficult, the effect of these events in terms of the stock market's performance — which is an entirely different thing. Like the difficult feat in horse racing of winning a parlayed bet, he must make a correct double prediction; the second of which, namely the *market* effect, is enormously difficult to anticipate since psychological forces so largely govern the market participants' reactions to the external events.

The Psychological Imponderables

Identical events often have successively opposite market effects. For example, in the period following World War II, there was the minority view business forecaster who turned out to be correct in his expectations of high economic activity instead of a demobilization depression such as had occurred after all previous

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Compulsory Unionism and Responsible Unionism

By SYLVESTER PETRO*
Professor of Law, New York University School of Law
Author: "The Labor Policy of the Free Society"
(N. Y.: Ronald Press, 1957)

Prohibition of compulsory union membership, though only a fragmentary corrective, is depicted by law professor Petro, as a constructive response on the part of society to the manifold threats posed by big unionism. Professor Petro admits there is no guarantee that strictly voluntary unions will run themselves well and will pose no danger to the free market economy; but, he points out, the elimination of force and coercion should bring about a healthier state of affairs for the union members and the economy. Denies right to work laws are designed to "bust unions"; believes freedom of members to resign would make their officers more responsible and foster responsible unionism; and hopes it will end industry-wide monopolistic unions.

The framework of this paper may be put in terms of the familiar propositions of two great 19th Century figures, Lord Acton and Mandell Creighton, his correspondent. I refer, of course, in the case of Acton, to the dictum:

"Power tends to corrupt and absolute power corrupts absolutely."

Creighton's statement—possibly even more germane—runs this way:

"Society is an organism and its laws are an expression of the conditions which it considers necessary for its own preservation."

Compulsory unionism, the institution which the so-called right-to-work laws are designed to extirpate, is of all the nonviolent techniques of trade unionism the most significant means to power. Absolute power exists nowhere in the area of action of mortal men; and to that extent Acton's declaration is wanting in precision. Yet, while union leaders are as unable as other men to command absolute power, the power they do build with and upon compulsory unionism is of such magnitude as to threaten the integrity and therefore the existence of a free society. Viewed in this light, the right to work laws must be seen as an expression of the conditions which this society considers necessary to its own preservation.

Before developing the thesis, however, I wish to observe that if compulsory unionism is the evil at which the right-to-work laws are aimed, they fall considerably short of the mark. For compulsory unionism takes many more forms than the union-security agreements (the closed shop, the union shop, preferential hiring, and maintenance of membership) at which the right-to-work laws strike. Workers are frequently compelled to join unions by these agreements which make union membership a condition of employment. Quite possibly, though, they are even more frequently compelled to join through the use by unions of the types of pressure tactics known loosely and vaguely as "secondary boycotts." These pressures, too, like those of, say, the closed-shop agreement, are designed to make union membership a condition of employment. Ultimately the mode of coercion is the same: "Join the union or you don't work." So, in the typical stranger-picketing case, the union's objective is to proscribe the picketed premises; by discouraging pick-ups and deliveries—in general, by inducing secondary work-stoppages — the union seeks to put such pressures upon the employees and the employer that all resistance will be squashed. Precisely the same is true of the kinds of action known as "hot-cargo" agreements, blacklisting, secondary strikes, and, to use the broadest term, "secondary boycotts."

If there is an evil in compulsory unionism through economic coercion, therefore, it inheres as much in the pressure tactics to which I have just referred as in the types of employment arrangement at which the right-to-work laws are directed. The topic assigned to me was "Right-To-Work Laws and Responsible Unionism." Yet I find it necessary, in order to deal adequately with the problems raised by that topic, to broaden the analysis, and so I am changing the title of this paper to "Compulsory Unionism and Responsible Unionism."

I

Responsibility, as Between Union Leaders and Union Members

I am aware that the reverse of Acton's theorem is about as sound as the verse itself. Lack of power tends to corrupt, too; and the absolute lack to power tends to corrupt absolutely. It tends to make persons contemptible, at least, if not corruptible. If associations of workers are to be responsible, then, they must have some power, of some kind. Yet if they have too much power, of the wrong kind, derived in the wrong way, Acton's point becomes relevant.

The problem can be solved, I believe, by reaching an understanding of what is meant by "responsible unionism." Most will probably agree that what is meant is responsibility to workers and responsibility to society at large. Most will agree also, I believe, that when we speak of union responsibility we mean to exclude coercion, compulsion, and exploitation of workers; extortion from employers; and antisocial, monopolistically established wages and prices. If it appears upon examination that compulsory unionism clashes with this conception of responsibility, we shall have to conclude that the relationship between right-to-work laws and responsible unionism is a positive one—to the degree, at any rate, to which the right-to-work laws tend to prevent compulsory unionism.

When we say that unions have a responsibility to workers we usually mean, I believe, that union officers ought to be preoccupied essentially with promoting the interests of their constituents—the workers who have joined the union and designated it their bargaining representative. When workers choose union representation they expect that their union will reflect their wishes, act in their behalf, and attempt to secure from employers the best wages and working conditions, the best and fairest treatment, possible. Union leaders are expected to obey the laws of the land and the precepts of common morality; to refrain from lying, stealing, and cheating. At least they are expected to refrain from lying to and stealing from their constituents. Moreover, all concerned, workers included, expect union leaders to oppose employers in the negotiation process, not sell out to them.

Unions Are Not Public Agencies

It should be noted, however, that in the general juridical and social structure of the United States the responsibility of unions to workers is not a responsibility to *all* workers. Nothing in our laws or traditions goes quite so far as to make unions a branch of government. Although the majority-rule principle in collective bargaining is a step in that direction, it is quite impossible for us to go the whole way without vitiating the basic political principles of this society. I doubt that we shall ever make unions genuine public agencies, anymore than we have made business firms, churches, social clubs, or any of the other private associations branches of the state.

Some states have gone in that direction with their "integrated bars"; but, in adition to the experimental nature of that movement, one should note that lawyers occupy a position in the juridical structure which clearly distinguishes them from trade unions or, indeed, any other economic association. Judgment on the merits of the intergrated bar must be suspended, but in any event there is little occasion to reason from what has been done with associations of lawyers to what may be done with general employee organizations.

In this society, there is only one association in which membership is compulsory and universal; that association is the state. The state alone has responsibility in respect of all. At least at present, therefore, it would be erroneous to confuse the clear responsibility which unions have to their members with an equal responsibility to all workers. The consequences of such an identification would be anomalous and contradictory in an extreme degree, as only a moment's reflection will indicate.

Cannot Leave Membership

If the union is regarded as a voluntary, private association — committed primarily to the advancement of the interests of its membership — certain consequences follow. Restricting ourselves for the moment to union responsibility to the membership, we should note in the first place that in unions, as in all private associations, the ultimate check which members have on their leadership lies in the freedom to shift their allegiance when dissatisfied. The law of fiduciaries has much less to do with the performance of corporate managements, such as it is, than the fact that stocks once bought can be sold. Nothing could possibly be of greater efficacy in inducing union officers to perform responsibly than the freedom of workers to shift their affiliations as disgruntled stockholders may and do. This freedom is drastically impaired if such a shift must be, as it is under compulsory-unionism conditions, at the expense of one's job. As a careful student of labor relations in Great Britain, Professor J. Henry Richardson, has quietly observed, "union leaders may be less considerate of their members' interests if workers no longer have the safeguard of leaving the union and still be able to find w[illegible]."[1]

It is sometimes said that unions need the power of compulsion in exactly the same way that any other organization needs it if objectives are to be attained. No corporation could get anywhere, this argument runs, if those in charge did not have the power to command the full obedience of administrative officers.

Few will deny that when a union as an institution formulates objectives, its administrators should either carry out the necessary steps or resign or be discharged. For union officers, like corporate officials, agree when they take their posts to act in accordance with the duly formulated and authorized objectives of their organizations. The same is true of the rank-and-file worker and union member. He too in joining a union or taking a job agrees to be "loyal" to his union or employer; and it is understood that if he cannot be loyal he must be prepared to resign or to lose his membership or job.

Sees No Analogy

But when these considerations are properly understood, they add up to an overwhelming argument *against* compulsory unionism, not in its favor. No business firm in this country has the authority to compel anyone to invest in it or to be employed by it, either as rank-and-file worker or administrator. Furthermore, any worker dissatisfied with the pay or the working conditions of his employer is free to quit and to seek work with any other firm. He will more often than not seek and find work with a competitor of his first employer—a firm in more or less the same line of business. The same is true of corporate officials. They too usually go to a competitor; or they will sometimes set up a competing firm.

But the authority to compel membership which unions seek would place them, ultimately, in the position of the state—in a position which would give them as close to absolute powers of compulsion as exist in the real world. They seek, and will probably achieve, if not restrained, a degree and scope of power which no business firm, or any other private association, has ever had or can have in our system.

With the instruments and devices of compulsion now available, and which they struggle so mightily to retain, trade unions already have in large measure and will undoubtedly secure to an ever greater degree before long — universal, industry-wide compulsory unionism. Whereas industry-wide employer control does not exist, industry-wide unionism is even today almost a general rule, and universal industry-wide unionization is a well-known union goal. Almost everywhere that a worker goes in a good many industries today, he finds a union in power. Under the conditions of compulsory unionism which unions seek to maintain, and which the right-to-work laws combat in part, what are the prospects of responsive, responsible unionism?

I call here again upon the observations of Professor Richardson. He points out that:

"Operation of the closed-shop principle denies the right of work people to withdraw from a union in the future if they have become dissatisfied with its policy or leadership. It also stands in the way of the formation of rival unions. Yet the right to set up a rival union is included in freedom of association, and to take away this right could weaken the vitality of the trade union movement. Groups of work people may hold quite different views upon trade union policy and methods, and if they cannot reach agreement they are likely to form separate unions. . . . Again, where only one union has hitherto operated some of the members may consider that its policy and leadership have become too extreme and aggressive or too complacent and spineless, and if they are unable to bring about a change from within, they may cease to be members or may decide to form a rival union. Differences may arise not only on the industrial policy of a union but also on the question of the union identifying itself with a particular political party."[2]

Would Repeal Political Contribution Law

Professor Richardson's reference to political considerations should be emphasized. There is really very little wrong in permitting a genuinely voluntary association to use some of its funds in political activity. In fact, as the sad career of the law prohibiting political expenditures by trade unions is revealing, legal control of such expenditures is hopelessly misguided. Yet there is almost everything wrong with allowing an organization to have both the power to compel membership and the authority to spend membership contributions in ways contrary to the desires of the members. Since direct legal control seems extremely difficult, if not impossible, the solution would seem to lie in repeal of the law prohibiting political expenditures and enactment and enforcement of laws prohibiting compulsion to membership. Then the person distressed by the use of his money to advance repugnant causes will have the right—as every free man should—of resigning without giving up his livelihood.

Not Surprised

I am perhaps less stunned and shocked than I ought to be by the findings of the current investigation of the conduct of some trade-union officers. Yet anyone who has had his wits about him must have known or at least suspected what has been going on. Indeed, all one need know is that unions have the kinds of power that they have, and the rest may be predicted on *a priori* principles. In this sense and to this extent Acton's dictum is relevant. No human agency having the virtual privilege of both physical and economic coercion can escape a material degree of corruption. Establish an environment permeated with coercion and compulsion and you are bound to attract men who excel in those arts; if they do not excel at first, they will either have to learn or make way for more talented men. This is not very complicated. Workers who have had to become accustomed to being pushed around, who are subject to the rigorous controls of compulsory unionism, can do nothing but bear the oppression and exploitation of their leadership.

It is as absurb to expect responsible unionism in conditions of extensive compulsory unionism, as it would be to expect responsive and responsible government in a society where the divine right of kings or the dictatorship of the proletariat is the central political principle. If union leaders are to be responsible to the membership, they must be agents subject to the members, not their masters. When men are forced in the first place to join unions, forced in the second place to go along with all plans and programs conceived by their leaders, and forced in the third place to keep their peace if they wish to keep their jobs—it is not at all surprising to find a good many trade-union leaders less than responsible to their membership. The same is bound to be true in any human organization. Power grabbed by force and exercised subject to no pervasive structural or functional check is bound to corrupt, and if the free society wishes to preserve itself it is going to have to take that power in hand somehow. This, I believe, is what accounts in part for the spread of the right to work laws.

II

Social Responsibility

Now, as to the *social* responsibility of trade unions, although we hear a lot about "labor states-

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*An address by Professor Petro at the University of Chicago Law School Conference on "Fiduciary Responsibility in Labor Relations," Oct. 11, 1957.

1 J. Henry Richardson, *An Introduction to the Study of Industrial Relations*, p. 188 (1954).

2 Ibid.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 32)—Discusses Atomic Development Fund's participation in missiles and rockets—contains text of U. S.-British joint statement on fusion and comments on Nuclear Chicago and Harshaw Chemical Company—Atomic Development Secuirties Co. Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current Foreign Letter.

Canadian Bond Market—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Canadian Oil—Facts and Figures—Wood, Gundy & Co., Inc., 40 Wall Street, New York 5, N. Y.

Economy and the Market—Bulletin—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Investment Review—Bulletin—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Japan's International Accounts—Discussion in current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the **Shipbuilding** and **Gasochemical Industries.**

Low Priced Stocks — Bulletin — Johnson, Lowry & Co., Inc., Mining Exchange Building, Colorado Springs, Colo.

Market Review—With a discussion of Stocks for Income with Defensive Strength—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Quarterly analysis of 13 issues—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Tax Exempt Bonds—Circular—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Tax Planning Adjustments — Discussed in current issue of "Market & Business Survey"—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Treasure Chest in the Growing West—Book describing industrail opportunities of area served—Utah Power & Light Co., Box 899, Dept., K, Salt Lake City 10, Utah.

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Acme Electric Corp. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

American Machine & Foundry — Data — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same bulletin are data on **Goodyear Tire & Rubber Co.** and **Jones & Laughlin Steel.**

Beatrice Foods Co.—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on Electrolytic Copper production.

Big Bear Stores Co.—Memorandum—The Ohio Co., 51 North High Street, Columbus 15, Ohio.

British Industries Corp.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Charles Bruning Co.—Memorandum—Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis.

Continental Can Co.—Memorandum—Robert W. Baird & Co., 115 East Wisconsin Avenue, Milwaukee 1, Wis.

Diebold, Inc.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Douglas Appraises Sputnik — Article in November issue of "The Exchange"—Exchange Magazine, Dept. TB-8, 11 Wall Street, New York 5, N. Y.—$1.00 per year. Also in the same issues are articles on dividend payers and diversification companies.

Federal Mogul Bower Bearings Inc.—Memorandum—Watling, Lerchen & Co., Ford Building, Detroit 26, Mich.

Gabriel Company — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Gimbel Brothers, Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **May Department Stores.**

L-O-F Glass Fibers Co.—Analysis—B. W. Pizzini & Co., Incorporated, 25 Broad Street, New York 4, N. Y.

R. H. Macy & Co.—Memorandum—Green, Ellis & Anderson, 61 Brodawy, New York 6, N. Y.

McKesson & Robbins Inc.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on Three States Natural Gas, Delhi Taylor Oil, and Big Piney Oil & Gas.

Northwestern Steel & Wire Co. — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Otis Elevator Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Royal Dutch Petroleum Company—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also in the same bulletin are data on **Bell & Howell Company, Foremost Dairies, Inc., Kerr-McGee Oil Industries, Inc., First Boston Corporation,** and **Time, Inc.**

Scott Paper Company — Bulletin — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Standard Oil Co. of New Jersey—Bulletin—Ross, Lyon & Co., Inc., 41 East 42nd Street, New York 17, N. Y.

Texas Eastern Transmission Corporation—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a discussion of **Municipal Bonds.**

Texas Ticker—Circular—Crerie & Company, Texas National Bank Building, Houson 2, Texas.

West Coast Transmission and Trans Canada Pipe Line—Comparison—R. A. Daly & Company, Limited, 44 King Street, West, Toronto, Ont., Canada. Also available are data on **Canadian Pacific Railway** and **Shawinigan Water & Power.**

Westinghouse Electric Corporation — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

The Current Economic Outlook

By Dr. JOHN K. LANGUM*
Economic Consultant, Chicago, Ill.

Economic evidence examined by Dr. Langum indicates to him that there are difficulties ahead but they are of a serious recessionary, and not depressed, nature. He credits tight money policy for saving us from a depression, and expects more adjustments, disappointments, and inability to forge ahead than sheer decline in economic activity, as measured in dollar magnitudes.

The American economy is moving into a recession, moderate in nature as compared with severe downturns in the past but definitely more serious than the slight recessions of 1948-1949 and 1953-1954. The next year or two will reveal persistent and stubborn difficulties. The period ahead will, however, be characterized more by adjustments, disappointments, and inability to forge ahead than by sheer decline in economic activity as measured in dollar magnitudes.

John K. Langum

Total personal income moved down slightly in September, 1957, from the preceding month. Per capita disposable income in constant prices has moved down over the last year. After a real showing of strength in July and August, retail sales in September and October to date have again been distinctly disappointing. Housing starts have reached a firm bottom, but no increase of consequence should be expected for some time ahead. The record burden of personal indebtedness and clear-cut experience of resistance to higher prices are significant. They point to the sensitiveness of consumer buying to shorter hours and growing layoffs.

Investments and Inventories

Business expenditures on plant and equipment are now topping out and will move moderately down. Moderate excess capacity has emerged in many industries, corporate liquidity has suffered a serious diminution, and the rate of return on added investment has declined sharply. Inventory adjustment will continue for several months ahead, at least. The sharp contrast from 1956 in the role of business investment in the economy will be heightened as we go on from 1957 to 1958.

State and local government spending will continue its steady rise. Defense spending may fall some in the next six months or so and probably will not increase during that period, just when the private economy is already under pressure. Later, an increase in defense spending may no doubt be expected as a result of the Russian satellite development. This, however, will not cushion current strain on the economy.

Corporate Profits

Corporate profits are going to be under severe pressure. In total, corporate profits have virtually moved sideways during the last three years, as GNP has moved from $392 billion in 1955, $414 billion in 1956, and to $432 billion in the first half of this year. Moreover, gross business investment in plant and equipment and inventories has exceeded $100 billion. In face of this record, corporate profits have stayed at $21 billion in 1955, in 1956, and in the first half of 1957. The experience in past recessions has been that even a slight drop in volume exerts a major downward force on profits. That is particularly true when costs are rising and when there is an initial overstatement of reported profits due to inventory valuation.

Pressure on profits will test confidence of businessmen and investors alike. When perfection-plus is expected, even minor troubles bring about great disillusionment. The maintenance of confidence will not be aided by the political situation in 1958. Finally, and not least important, the world-wide investment boom is tapering off, and there will be important international developments exerting a downward force on our economy. All this points to difficulties ahead—but recession, rather than depression is still the proper word.

Credits Tight Money Policy

Particular credit should be given to the Federal Reserve System for the substantial contribution to economic stability and growth which it has made during the last two or three years. Had it not been for the policy of monetary restraint, we would have had much more inflation and no doubt a major speculative bubble on top of the major investment boom. Had it not been for the so-called tight money policy, the American economy would now likely be facing a serious depression rather than the difficulties, significant but more moderate, which we now face.

*From a talk by Dr. Langum before the Fall economic meeting of the Union Trust Company, Washington, D. C., Oct. 22, 1957.

Wyatt, Neal Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Richard G. Johnstone is now with Wyatt, Neal & Waggoner, First National Bank Building.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jay M. Wasserman has become affiliated with Hornblower & Weeks, 134 South La Salle Street. Mr. Wasserman was formerly with Arthur M. Krensky & Co., Inc.

With Paine, Webber Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Warren F. Boos is now affiliated with Paine, Webber, Jackson & Curtis, Penobscot Building.

Joins J. F. Lynam Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — John L. Tierney, Jr. is now connected with J. F. Lynam & Co., Inc., 111 South Meramec Avenue.

A. Barzilay Opens

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.— Aaron Barzilay is conducting a securities business from offices at 2830 Northeast 23rd Street.

Now With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—John P. Dillman is now with Francis I. du Pont & Co., Omaha Grain Exchange.

E. R. Newill Opens

Edward R. Newill is engaging in a securities business from offices at 40 Exchange Place, New York City.

Form Investors Trading

JERSEY CITY, N. J.—Investors Trading Corporation has been formed with offices at 101 Fairview Avenue to engage in a securities business. Samuel Schachner is a principal of the firm.

Form Hathaway Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—C. M. Hathaway Company has been formed with offices in the Farmers Union Building to engage in a securities business. Officers are Hazel V. Hathaway, President Robert E. Hathaway, Vice-President; and Robert S. Davies, Secretary-Treasurer.

Henry, Franc Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Penelope Lee is now connected with Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Theodore Bernstein

Theodore Bernstein, limited partner in Carl M. Loeb, Rhoades & Co., passed away Nov. 5, at the age of 84, following a long illness.

Federal-Aid Highway Progress For the Nation and Southeast

By C. D. CURTISS*
Commissioner of Public Roads
U. S. Department of Commerce

U. S. Road Commissioner sees need for a "public relations" job in informing the public on properly controlled access roads. Finds trunk lines of the Interstate System will go through 37% of the nation's countries in areas that contain more than half the population. Foresees rise from present 65 million road vehicles to 100 million in twenty years; outlines tremendous potential for the twelve states in the Southeast; and reports on five special studies which are being made with State highway departments.

Today highway transportation plays such a fundamental role in our lives, it is such a basic factor in our economic growth that the vast road-building program which we have undertaken can properly be called a new design for living for all Americans.

C. D. Curtiss

Nothing better symbolizes our unity of purpose, our pioneering spirit than the Federal-Aid Highway Act of 1956. State highway officials who played such an important part in shaping the new program, are fully aware of its implications. At long last we have come to grips with our highway problem. For the first time in our history we have set out to provide a complete nationwide system of expressways built to standards which meet not only today's needs but also reckon with future traffic demands. We are looking 20 years ahead, when more than 100 million cars, trucks, and buses are anticipated—compared with 65 million in use today.

For the first time we have set out to equate the motor vehicle with our way of life. Not only must we build safe, efficient highways designed to correct past deficiencies and obsolescence—and that is a huge task—we also must take into account the all-pervasive role of motor vehicles in promoting economic growth and in fostering a long list of community benefits that are dependent upon sound highway planning.

Consider, if you will, the steady trend toward regional urbanization and growth of huge metropolitan areas tied together by highway transportation. Much of our eastern seaboard falls in this category, and in countless communities throughout the country motor vehicles provide the only effective means of transportation.

An Interstate System

Measured in distance the Interstate System includes only 1.2% of our total road and street mileage, but it is estimated that when completed it will carry 20% of all traffic. This future traffic will move at expressway speeds. As Atlanta's partially completed freeways are now demonstrating, this traffic will flow into and around large cities over safe, divided highways of 4 to 8 lanes, protected by carefully planned access. Equally important, these great trunk lines will serve thousands of smaller communities, both directly and through interconnecting routes. Experience already has shown that these modern traffic corridors invite business, commercial and industrial growth on a large scale. They transform raw land into thriving communities. They bring town and country closer together.

Quite rightly, the dramatic scope and urgency of the Interstate program have won public acclaim. But you and I know that this key network cannot realize its full potential unless our other road systems also are capable of handling tomorrow's greatly increased traffic loads—much of it destined for the Interstate System at one time or another.

Congress was well aware of this mutual dependence when it wrote the 1956 Act—witness the record authorizations for regular Federal aid.

The regular, or ABC funds, are provided for the improvement of two principal systems—the 235,000-mile Federal-aid primary system, which includes the Interstate network, and the Federal-aid secondary system, consisting of 520,000 miles. This 755,000-mile total is eligible for improvement with Federal-aid funds.

The 1956 Act provides for about a 60% increase in Federal funds for these two systems over and above the average of $500 million made available annually for the first nine years following World War II. ABC funds in the amount of $825 million were provided for the fiscal year which ended last June 30; $850 million is available for 1958, and $875 million has just been apportioned for the fiscal year 1959. These increases, coupled with the fact the apportionment of Interstate money will release ABC funds that would otherwise be used on the Interstate System, provide for very substantial improvement to the regular systems, in addition to the mammoth Interstate program.

Because these systems are so interdependent, traffic switches back and forth, from street to road to highway, endlessly. Like the parts of a living organism, each enhances and serves the other.

Trunk lines of the heavily traveled Interstate System will pass through 37% of all the counties in the Nation. Moreover, these counties hold more than half of our population and they market nearly 50% of all farm products sold. Add the further fact that nationwide about 80% of all passenger car trips are under 10 miles and it becomes clear that many customary local travel routes will undergo considerable reorientation in counties served by the Interstate System, and this means that local parallel and intersecting routes leading to interchanges with the great trunk lines will require very careful planning — planning which will provide both short haul service to motorists making trips under 10 miles and off-the highway service to through motorists in need of food, fuel or overnight accommodations. Not to mention the highway needs of commerce, industry and agriculture, or the expanding role of highway facilities in urban growth and redevelopment.

Require Cooperation

Obviously these are problems which can only be solved through the cooperation of highway officials, engineers, State, county and municipal bodies and the many organizations which have a stake in safer, more efficient highway transport. Inevitably groups like your own association stand at the very center of this complex and all-important undertaking.

As you know, the 1956 Act fully preserves the long-established policy of cooperation between the States and the Bureau of Public Roads which was begun in 1916 and was further strengthened by successive enactments, particularly in 1921, 1944, and 1954. I am not going to elaborate on the soundness of this working partnership—the 41-year record speaks for itself.

There is one feature of the 1956 Act which deserves special mention for it is directly concerned with a basic purpose of the new program — to provide safe, free-flowing traffic. The whole concept of the Interstate System rests upon modern design standards which will provide ample traffic capacity, protected and preserved by planned, controlled access.

Selling Access Control

This may be an old story to highway officials and traffic engineers but there is no doubt that many motorists are inclined to feel that access control is an arbitrary restriction on their freedom of movement. In some cases, too, individuals may want to keep a business frontage directly on the highway.

Thus no small part of your task will take on a public relations flavor. We know the benefits of planned access on heavily traveled routes. And we must be prepared to demonstrate them to all.

Here are some of the end products which planned access can assure:

It permanently reserves road right-of-way and this in turn protects the highway investment. It cuts traffic accidents by two-thirds. It offers the maximum in economical, efficient motor vehicle operation. It adds tremendously to the Nation's defense and survival potential in time of war. It opens the way for long-range State and community planning which will tie together not only highway transportation and economic growth but the many community betterments that are needed.

For motorists planned access means that every car, bus, or truck entering or leaving these trunk lines will move along special facilities designed to channel vehicles in and out of the through traffic streams.

By contrast with this orderly flow, random access soon turns even a 4-lane thoroughfare into a congested, slow-moving welter of traffic hazards punctuated by a string of red lights. Neither through traffic nor local needs are met.

Planning Today for Tomorrow

In all of our deliberations let us remember that the highways of tomorrow depend on the planning that is done today—not ten years from now. Where future traffic capacity, safety and efficiency are at stake there is no room for compromise.

Southeast Potential

In the Southeast, where tremendous new industrial and commercial forces are at work, the challenge to highway officials and engineers, to business and community leaders, is obvious. The opportunity is equally great and this region already can point to many fine highway projects which fully justify these expectations for the years ahead. Without attempting a complete run-down let me mention a few outstanding examples.

Progress on the Greater New Orleans Expressway with its many complex traffic and engineering problems is a tribute to all who had a hand in conceiving and carrying out this undertaking.

The Virginia portion of the Washington Circumferential Expressway is noteworthy, and so is Florida's Sunshine Expressway.

Progress on Atlanta's famous expressway is an object lesson in sustained cooperative effort and fine engineering.

We can glimpse the real potential of the new program in the Southeast by looking at the Federal-aid funds available for the fiscal years 1957, 1958, and 1959. The 12-State total comes to $1,414,670,546. This includes $1,024,125,606 for the Interstate System. All of this money has been apportioned by the Secretary of Commerce and is now available for highway improvements on the primary, secondary and Interstate Systems. By comparison with earlier periods in our highway history, let me remind you that a total of only $1,846,559,276 in Federal-aid highway funds were apportioned to this region in the 40 years which preceded the 1956 Act.

The 12 States in the southeastern region as a whole have made good progress in carrying out their Interstate programs. By Sept. 1, 1957, these 12 States had obligated all prior funds and 93% of the 1957 apportionments. Nationwide the figure is 29% of the 1958 apportionment. I would like to see this region catch up to the national average and I believe you will. One State in the southeastern region — Mississippi, with 47% of its 1958 funds obligated—was ahead of the national average on Sept. 1, 1957. Three other States—Arkansas, Kentucky, and Virginia—have obligated all of their 1957 Interstate funds and are at work on the 1958 monies.

Since passage of the 1956 Act on June 29, 1956, contracts have been awarded for 319 miles of Interstate highway improvements in this area.

On Schedule Nationwide

Nationwide we are on schedule. As of Sept. 1, 1957, contracts have been advertised and funds obligated totaling $2.6 billion as Federal aid on the primary, secondary and Interstate Systems. On the Interstate System alone, construction contracts aggregating over $840 million in Federal funds have been awarded for 1,947 miles of new highways — including contracts for 1,681 bridges. By Sept. 1 of this year, 36 States had committed all of their 1957 funds and were moving ahead on the 1958 monies.

With the program well started we need continuing public support particularly for the standards. Public relations are more important now than ever before. The public hearings required by the 1956 Act afford a means of enlightening the public both on the program as a whole, the importance of the standards, and to explain the particular project involved at the hearings. Such hearings should be carefully planned and held before final decisions have been reached as to location and design. Alternate routes that have been studied should be reviewed, pro and con, and the advantages of the favored route explained in detail. Such public hearings will promote public support if properly organized, and this support is surely going to be needed in the years ahead.

Five Studies

Last year I mentioned five special studies which the 1956 Act directed the Bureau to carry out in cooperation with the State highway departments. Each study is a major undertaking in itself.

Again taking the studies in order as they appear in the Act, I want to report first on the status of Section 108 (d) which calls for estimating the cost of completing the Interstate System. These figures must be submitted to Congress by January 1958, and presumably will form the basis for future apportionments for the Interstate System covering the fiscal years 1960, 1961 and 1962.

Standards having been adopted, the next step was the determination of specific locations for every route. As you know, this involved a tremendous engineering and economic study. Specific, detailed locations have been selected by the States and approved by the Bureau for more than 80% of the total mileage. For the remainder, the most feasible and reasonable of several desirable alternates are being used for the estimate.

At this point I wish to note that the States have cooperated wholeheartedly in the preparation of the necessary traffic forecasts and cost estimates — field teams of State and Public Roads engineers have studied every mile of the system on the ground.

The study to determine the maximum desirable sizes and weights of vehicles, described in Section 108 (k) hinges in part on the AASHO Road Test. In spite of some unavoidable delays, a great deal of work has been done on this project. Grading, drainage, and substructures for bridges and overpasses have been substantially completed, and all bridges are now under construction. On Aug. 2 bids were opened for the test pavement. The paving contract, amounting to more than $5 million, has been awarded and construction will proceed on the turn arounds and access and frontage roads. We expect that the pavement will be completed by July 1958 and the actual road tests will get under way in the fall. Incidentally, the Administration Committee of the AASHO met on Aug. 14 and with 35 States represented voted unanimously to support their share of an additional $3½ million for the project. Total costs of the test are now estimated at more than $22 million.

In order to round out the information needed to make recommendations covering vehicle dimensions and weights, the Bureau is working on an extensive study of the economics involved in the road-vehicle relation.

The third study, under Section 114, deals with possible reimbursement for existing highways which are included in the Interstate System. Since this involves cost figures and other information which is being obtained through the needs study required by Section 108 (d), action was deferred until this material became available.

The Bureau and representatives of the AASHO have prepared a manual for the guidance of State highway departments in collecting and reporting the information needed and we expect to submit a report to Congress by the January 1958 deadline.

The fourth study, involving highway safety, seeks to determine what action might be taken by the Federal Government in this field. A study director was appointed in December 1956 and liaison was promptly established with the Special House of Representatives Subcommittee on Traffic Safety to aid in developing the Bureau's plan of study. One of the more promising activities just beginning is a case study of accident causes by a team of engineers, medical and social scientists. Elsewhere, in about a dozen States, including Virginia and North Carolina, highway officials, police and motor vehicle officials are cooperating in special researches directed toward the speed factor. Exhaustive studies of large economic losses occasioned by traffic accidents are going forward in several other States. This report and recommendations covering the optimum Federal role in highway safety is due at the Congress on or before March 1, 1959.

Those who have worked with the Bureau in gathering data re-

*An address by Mr. Curtiss at the 16th annual convention of the Southeastern Association of State Highway Officials, Atlanta, Ga., Oct. 2, 1957.

quired from the Section 210 study know that this is one of the most complex and difficult jobs we have ever undertaken. This study, as you know, requires an analysis of the cost of providing highway facilities for different classes of vehicles and of the benefits derived from highway use by all classes of users and, in addition, estimate of the benefits of highways to other than highway users. The purpose of the study is to furnish the Congress with information that will provide a basis for a determination of equitable rates of Federal taxation on highway users and other beneficiaries.

During the current year we are collecting the information—about highway needs, about the different classes of motor vehicles, about traffic volume and weight composition, and about both user and non-user benefits. So far the best progress has been made in dealing with the classification of vehicles and their corresponding road-user tax payments. This work is well in hand. Other phases of the study are going forward.

The year 1958 will be devoted to analysis of the data and writing the final report, which must be in the hands of Congress by March 1, 1959. From the facts given in that report we hope that Congress will be able to fashion an equitable solution of the Federal highway tax problem.

During the past three-year span we have moved from a period of rather anxious anticipation into the full swing of the greatest peacetime construction job ever undertaken by any nation. I feel an added assurance that the job will be done on schedule—and done well.

Bank Credit Associates To Hold Dinner Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting on Nov. 21 at 5:30 p.m. at the Railroad Machinery Club. Speaker will be Arthur Macaulay, Jr., partner in Blades & Macaulay, who will address the group on "Corporate Insurance as Protection for Bank Loans."

Reservations should be made with Francis D. Weeks, Jr. of Marine Midland Trust Company. Tariff is $4.75.

George Sewell Haydock

George Sewell Haydock, Cincinnati, passed away Nov. 5, at the age of 81. In the past Mr. Haydock was a partner in the investment firm of Haydock, Peabody & Hawley.

Chicago Analysts to Hear

CHICAGO, Ill.—R. A. Lambeth, of North American Aviation, Inc., will be the speaker at the luncheon meeting of The Investment Analysts Society of Chicago to be held Nov. 14 in the Adams Room of the Midland Hotel.

Grant, Fontaine Formed

OAKLAND, Calif. — Grant, Fontaine & Co. has been formed to engage in a securities business. Lester M. Grant, formerly with Stephenson, Leydecker & Co., is a principal, as is Bernard S. Fontaine, who was previously with Reynolds & Co.

New A. C. Allyn Branch

WOODSTOCK, Ill.—A. C. Allyn & Co. has opened a branch office at 510 Burbank Avenue under the direction of Virgil R. Smith.

Fay With Francis I. du Pont

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Donald D. Dore and Richard A. Fay have become associated with Francis I. du Pont & Co., City National Bank Building. Mr. Fay formerly conducted his own investment business in Beverly Hills. Mr. Dore was with E. F. Hutton & Company.

Coburn Middlebook Branch

SHAMOKIN, Pa. — Coburn & Middlebrook, Incorporated has opened a branch office at 4 West Independence Street under the direction of Richard D. Seiler.

With Copley Co.

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—Benjamin F. Kelly has been added to the staff of Copley & Company, Independence Building.

Forecasting Interest Rates And Business Conditions

By DR. JOSEPH H. TAGGART*
Associate Dean, Graduate School of Business Administration, New York University

The over-bearish feeling about the economy's health could well be overdone, Dr. Taggart avers in predicting no material change is in the offing for interest rates unless the Fed acts to restore more normal spread between short and long rates. The N. Y. U. Dean expects, in view of the high cost of missiles, that taxes will not be reduced in next fiscal year, and that Federal, state and local expenditures, plus consumer credit and spending, may well offset declines in corporate spending.

This is perhaps one of the most difficult times to forecast interest rates. As one examines the statistics of the market, one is confronted with conflicting statistics and statistics which point in almost opposite directions. Moreover, any forecast of interest rates involves a forecast of business conditions. All this is modified of course by any external developments such as those the United States is facing in the Near East today. The threat of war in the Near East is not one which can be treated lightly. For the first time, in my judgment, it is more serious than Korea because we are committed to fight against a great antagonist. If that power takes certain definite steps vis-a-vis our ally and a member of NATO, Turkey, anything that is discussed here must be then subject to modification depending on developments of events in that part of the world.

Dr. J. H. Taggart

Since we have referred by inference to the Soviet Union, it is impossible to overlook this man-made moon. It is an eerie feeling to realize that every once in a while a satellite made by unfriendly men moves over us. It gives me a certain foreboding. It may be trite to say that man's accomplishments in the human and social fields have not kept pace with his advancement in the technical fields. This is a fact and because it is, it is a potential explosive force in our so-called civilization. It is the real source of my eerie and foreboding feeling.

From an economist's point of view, the importance of Sputnik, however, rests on its effect on government spending. As you all know, defense spending is the largest part of the Federal budget. Even the day before we learned about the new satellite, the administration advanced the idea that the defense budget could not be reduced in the new year. Since Sputnik, there are signs that we are being softened up for the bad news — that defense is more important, we are told, than reduction in taxes.

Few people realize the fantastic cost of the missile program. Basically, I think it is this fantastic cost which delayed our accomplishment in the area. I feel sure now that the public are aroused sufficiently so that they will accept larger expenditures to help close the margin between Soviet scientific accomplishments and ours. Therefore, one of the bearish elements which has been present in our thinking must be changed. I predict that taxes will not be reduced in the next fiscal year unless political and economic exigencies make such reduction necessary. Moreover, I believe that Federal expenditures may well be greater next year than they are this year. We must assume there will be no war.

Where Do We Stand Today in Business?

My own opinion, is that we are at the moment over-bearish. Now there are signs of weaknesses in business. They are real signs that must not be discounted. Basic commodity prices have fallen to the lowest point since 1953. Wholesale commodity prices seem flattening out to a degree. One of the sustaining forces of 1957 foreign exports are tapering off and we can look forward to some substantial decrease in this area because of changes in the world situation, currency difficulties and controls necessitated by other countries. Business expenditures on plant and equipment which sparked the big rise in 1956 and has been a sustaining force in 57, is leveling off. Further, estimates of future expenditures are lower. However, our psychology is bad and affected no doubt by the downward movement in the equity market. As you know, this does have influence on economic thinking. I notice as the market tends downward, more frequently I turn my steps toward the Automat, and more and more, I see there people I know.

Elements of Strength

We should not, of course, allow these factors of weakness and the psychological factors to cause us to overlook the elements of real strength in our economy which prevails today and which will have a bearing on business of tomorrow. Some of these strengths I find in the record heights of personal income, although there was a slight decrease in Sept.; but continued high employment; the fact that there is little evidence of any falling off of business activity; retail trade remains high; and consumer price levels show resistance to pressures of tight money. All in all, people are earning large amounts—they are spending large amounts and savings seem to be running along on just about the same percentage of disposable income, although in absolute terms they seem to be rising. With these very very hasty words on the subject, admittedly I am not able to give this enough attention in a paper of this length, it appears to me that business is fundamentally strong and I would look for no reduction in the real Gross National Product for the present year or so far as I can see no substantial reduction in the first six months of 1958.

Let us finally come to our specific topic for the day—The Future of Interest Rates. First, let us, and of course it is axiomatic, say that interest is simply the price of money which is a function of the demand for it and supply of it. If we wish to look ahead then as to the price of money, we should examine some of the pertinent factors on the demand and supply side.

Demand for Funds

Business demands for funds continue at a high level, although there has been some decrease in bank loans. Underlying this is the fact that business continues at a high level today—and hence requires financing for its short and long run needs. Of course, with high rates, they may try to cut some corners, reduce some inventory — but there seems no clearly defined movement in this direction. As for the longer run needs of plant and investment, expenditures remain high; only recently have estimates of some reduction in the rate of expenditures been forecast—even now, it seems clear that the total expenditures for the year will top last year by some margin. It should be pointed out that companies lost some liquidity and profit margins may have declined. Such expenditures then must be financed by recourse to the money market.

A large portion of the demand for corporate funds in the present market comes from utilities. High money rates may postpone some of the demands, but the pressure of population on the need for utility services reduces the flexibility of utilities in adjusting their financing to changes in the money market. Moreover, after expenditures have been planned by corporations and commitments have been made, cancellation is not always easy even in the face of sharp increases in rates.

Corporations are placing large amounts of bonds and stocks on the market. To some extent, the proceeds are being used to pay off bank loans. This is probably having some effect in reducing the volume of bank loans at the present time. Seasonal liquidation of Finance Company borrowings are important.

If one looks at commercial and industrial loans of weekly reporting member banks in 94 cities, one could easily get the idea that there has already been a decline in the short-term demand for funds from business. In the period from July 3 of this year to Oct. 9, there has been a decrease of \$197 million. This compares to an increase of \$975 million in the corresponding period of 1956. This, I think, is evidence of the operation of tight money policy to a degree. To some extent, of course, it is related to the use of funds obtained through capital markets to liquidate short-term bank indebtedness. To some extent it is due to the seasonal movement in installment credit as Finance Companies have repaid bank loans. In any event, the change has not reached a magnitude to be significant, although it may well be a straw in the wind.

State and Local Borrowings

State and local borrowings have been and continue to be important elements on the demand side of the money market. In the 15 months' period from July 1956 through September 1957, about \$5 billion in bonds were authorized by voters. At the end of this September, almost \$3½ billion were still unsold. This heavy backlog means an unusually large flow of municipal offerings during the rest of '57 and into '58.

Mortgage Credit

Not much change can be expected in the demand for mortgage credit. The total of mortgage credit is substantially above that of last year, but the rate of increase has been at a much slower pace. Demands for new money, thereafter, while substantial, have been appreciably below 1956. Housing starts are below last year and 1955, but total mortgage demand during the rest of 1957 and in 1958 will probably be sustained at about present levels.

Consumer Credit

Demand for consumer credit continues high. By the end of August, this increase was about \$3 billion in the 12 months period, bringing the amount outstanding to total \$42.9 billion. Since Automobile paper normally accounts for about one-half of installment credit, wide consumer interest in 1958 cars could mean a substantial increase in demand for funds from this segment of the market.

Supply of Funds

Personal Savings are at record heights. This is only to be expected since they move in rather constant relationship with disposable income which in spite of small drop in September is near a record high. The rate of increase in funds to life insurance companies and savings institutions appear to be below a year ago. Time deposits of commercial banks have increased rapidly. Since these institutions are paying higher rates, it is reasonable to suppose some of this increase represents funds which would have gone to other savings institutions. Moreover, there may be some shifts from demand to time deposits.

Major Factor on the Supply Side Of the Money Market—The Commercial Banks

As we have just pointed out, there seems to be some decline in bank loans, but it must be remembered that the net reserve position of the banks is still substantially on the negative side and currently show little signs of moving toward positive. In other words, their net borrowed position remains high. Further, banks have suffered a decline in liquidity as they have sold Governments to support loan expansion. If the trend continues this could bring some ease in the short-term market. However, the need to reduce the indebtedness to the Federal Reserve will have a limiting influence on this trend. Consequently, the basic force on the supply side of the market is the Federal Reserve. When one discusses the future of interest rates, then one really guesses as to the timing of Federal Reserve policy.

Federal Reserve Policy

The policy of credit restriction designed to combat inflation will probably be relaxed if one can judge from recent official statements. It should be emphasized that the tight money policy has never been one of active restraint involving measures to decrease bank reserves. Rather they were followers and not initiators of higher rates. Their discount rates have roughly kept pace with the market and the Federal Reserve has simply not taken actions which would have added to bank reserves. The tightening in the money market then is the result of the interplay of market forces without interference from the Federal Reserve.

My own feeling is that had the Federal been following a more active policy of credit restraint, it would have relaxed them earlier. As it is, the Federal apparently wants to see the net excess reserves turn gradually from negative to positive or at least show definite signs of such a trend. Moreover, it desires to see a flattening out of consumer prices before changing its policy. More signs of weakness in the economy than are yet in evidence are necessary to convince the Federal that a decided change is desirable. The Federal is taking a chance, of course, in maintaining this policy of inducing unemployment and recession. But, Chairman Martin has admitted that the reversal in 1953 was probably too early and too drastic.

Summary

In summary, the backlog of demand for long-term funds continues high and we may look for large municipal and corporate issues to be placed on the market during the final quarter of 1957. This demand will have a sustaining influence on long-term interest rates.

The leveling off of business activity may result in some inventory reductions and smaller demand on the part of business for short-term funds. Lessened demand for bank funds may also result from corporations' recourse to capital markets as a means of restoring their liquidity. The present trend in Industrial and Commercial loans by banks seems to reflect these conditions. However, the banks as a whole are not in a liquid position and the current decline in loans will not have a significant effect on short-term interest rates unless the rate of decline in demand for loans is much faster than is anticipated.

Long before any heavy decrease in the demand for bank funds is in evidence, it is expected the Federal Reserve System will change its policy.

The key to lower interest rates is Federal Reserve policy. When the Federal may change is anyone's guess. It is under heavy pressure from many quarters to change immediately. It may do so or it may elect to continue to take the risks involved in maintaining its policy in the face of definite weaknesses in the economy.

My guess is that the policy may well be changed in the present quarter. If so, short-term interest rates will fall; the banks will again become buyers of short and intermediate securities and the relationship between short- and longer-term interest rates will again assume a relationship which we regard is more nearly normal.

*An address by Dr. Taggart before the Municipal Forum, New York City, Oct. 18, 1957.

Must They Contribute?

"There is no question that Egypt will rely to a great extent on her capital in financing its economic development, but this does not imply at all that we have closed the door against foreign finance. On the contrary foreign capital from everywhere is highly encouraged and granted many privileges by law.

"Egypt is ready to cooperate with all those who show an understanding of her problems and who are willing, without any reservations or conditions, to contribute sincerely to her efforts to attain her objectives."—Mohamed Roushdy, Chairman and Managing Director of Bank Misr of Egypt.

Owners of funds invest them in order to obtain an income from them, not to "contribute" to the attainment of borrowers' "objectives."

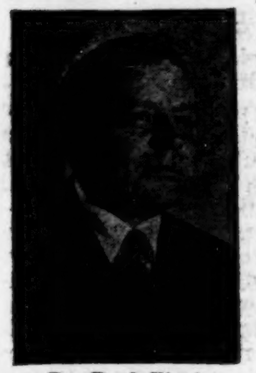
A very elementary fact, this, but one all too many both here and abroad seem never able to learn or to remember!

Will the British Government Really Resist Inflation?

By PAUL EINZIG

Encouraged by some signs of British governmental firmness in checking wage increases, Dr. Einzig detects considerable room for a still firmer policy since "the increasing trend of both wages and prices continues." The author finds raw material price decline has permitted a wage rise offset, without a change in price. Wonders whether a proposed prearranged uniform wage increase would stimulate productivity and notes how wage uncertainty has affected the Stock Exchange and sterling.

LONDON, Eng. — Prospects of effective Government action to check the wage spiral appeared to improve somewhat at the beginning of November, when the Minister of Health flatly rejected the demand of National Health Service employees for a 3% increase of their wages and salaries. This action conveyed the impression that, after all, the Government really means business this time and is not afraid of unpopular steps in the interest of arresting inflation. But the outcry of indignation by trade unions and the Socialist opposition appears to have made the Government hesitate once more.



Dr. Paul Einzig

Ministerial speakers were at pains to emphasize that there was no question of any rigid rule against wage increases, and each issue would be decided upon according to its merit. They also made it plain that the Government did not intend to bring pressure to bear to arbitration tribunals to induce them to resist inflationary wage demands. So the question whether the Government will really muster enough courage and determination to bring inflation to a halt has remained unanswered.

There Has Been Progress

It would be unfair, however not to recognize the progress made by the Government since last summer towards the adoption of a firm attitude. Nor should the Government's critics ignore the great difficulties which an effective disinflationary policy would have to face in the economic, social and political sphere. Within the Government there is a struggle between the "appeasers" and those in favor of firmness. The former wing is led by the Minister of Labor, Mr. Macleod, who is becoming increasingly unpopular among Tory backbenchers. During a recent debate he triumphantly quoted figures to show that the number of hours per worker lost through strikes last year was much smaller in Britain than in any other industrial country. He appeared to be blissfully oblivious of the fact that this was beause in Britain there was much less resistance to wage demands than in other countries. The other side of the picture is represented by the higher degree to which wages were raised in Britain, in spite of the stagnation of productivity last year.

When in 1938 Chamberlain returned from Munich he declared that his agreement with Hitler, achieved through conceding him everything, was "peace in our time." Similarly, it was observed in Conservative circles, Mr. Macleod should declare that the relative absence of strikes, achieved at the cost of conceding excessive wages claims, was "industrial peace in our time." The latter is not likely to last any more than did the former.

The "Twelve Apostles"

The Opposition seized upon a letter published recently in "The Times" and signed by 12 more or less eminent Oxford and Cambridge economists, demanding the cessation of disinflationary measures, for fear that they might aggravate the downward trend of world commodity prices. This group of economists (they came to be known as "the 12 apostles" of the creed of non-resistance to inflation) were challenged from many quarters to produce an alternative solution to the policy pursued by the Government. Up to the time of writing they ignored the challenge, presumably because, when it came to suggesting constructive steps, the 12 economists held 13 different opinions and could not agree on an answer to the challenge.

In the meantime the commodity outlook appeared to have improved. It is to the credit of the Government, that it has refused to allow itself to be influenced by non-resistor agitation which might have provided for it an excuse for backing out of its firmer policy.

The increasing trend of both wages and prices continues. During recent weeks a number of wage demands were conceded. Even though in each instance the number of employees involved was small, the total of additional purchasing power released by employers is growing. And every now and again the price of some goods or services is put up. Evidently the stage has not yet been reached at which employers feel impelled to say "no" for fear that a further increase of their prices would give rise to consumer resistance.

Wages Offset Commodity Price Decline

The decline in the prices of raw materials, too, tends to encourage wage concessions. Industrial firms are in many instances in a position to increase wages without having to raise their prices, thanks to the lower cost of their raw materials. But if, as seems probable, the decline in world commodity prices should become reversed, they will not be in a position to reduce wages in order to maintain their prices. Wage reductions are almost inconceivable nowadays, so that a recovery in the commodity markets will mean a further increase in the prices of manufacturers.

A Wage Policy Proposal

Lord Chandos, one of the leading British industrialists has put forward the suggestion that there should be a general agreement between employees and employers, providing for an annual increase of wages by 2½% during the next five years. Whether such a prearranged uniform wage increase would tend to stimulate productivity is open to doubt. But Lord Chandos is one of the most influential figures behind the British political scenes, and the possibility of official backing being given to his scheme cannot be dismissed out of hand.

Uncertainty about the industrial outlook is likely to continue until the outcome of the railway wages dispute becomes evident. Meanwhile the Stock Exchange and sterling remain under the influence of that feeling. A large proportion of investors who liquidated their holdings continue to keep their funds in the form of bank deposits, pending future developments.

Wm. C. Roney Adds

(Special to THE FINANCIAL CHRONICLE)

BENTON HARBOR, Mich. — Norine E. Allen has become connected with Wm. C. Roney & Co., Fidelity Building.

With Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert M. Allison is now connected with Columbine Securities Corp., 1575 Sherman.

I. B. Haass Director

Irving B. Haass, Partner of the New York Stock Exchange firm of David J. Greene & Co., has been elected a Director of the American Colortype Co.

Two With Goodbody

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.— George R. Ackerman and Alexander J. Dalton are with Goodbody & Co., 218 Beach Drive, North.

Canadian Oil and Gas Investment Opportunities

By EDWARD H. LaBORDE*
President, Canadian Homestead Oils Limited

Outstanding investment opportunity exists in Canadian oil and natural gas in the judgment of Canadian oil company President. In making a comparison with the United States, Mr. LaBorde notes the much lower exploration-developmental oil costs, greater proven reserves, and growing favorable export position. Predicts a threefold sales-production increase within next ten years augmented by recently started natural gas development.

In considering any industry, I would think that one of the first things to look at is the cost and availability of the raw material—in this case crude oil—and secondly, the demand. On the subject of availability I can do no better than give you a few figures covering the 10-year period 1947 to 1956. A total of $2.5 billion was spent in Western Canada on exploration and development (including land costs) resulting in the discovery and development of three and one-half billion barrels of oil. This amounts to about 70 cents per barrel. The cost of finding and developing new oil reserves in the United States during the same period varied from double to almost triple this amount. Obviously an exploration dollar spent in Canada will give two to three times the reserves.

Edward H. LaBorde

The results of exploratory and development drilling last year in Western Canada as compared to the United States bear this out even more. In Canada, the discovery ratio was four-in-ten, compared with one-in-ten in this country. New oil reserves amounted to 4.4 million barrels per discovery in Canada, compared with 1.5 million barrels per discovery in the United States. On average, every oil well completed in Western Canada last year can expect to recover 220,000 barrels, compared with 96,000 barrels for the corresponding United States completions. To look at it just one more way—for each foot of hole drilled in Western Canada last year, the industry found 33 barrels of oil, compared with 13 barrels per foot drilled in the United States.

Favorable Cost Position

The question is: Will this rate of discovery continue? You all know that exploration in Western Canada has just started, and that vast stretches of the large sedimentary areas are still in a virgin state. But for comparative purposes I could point out that only one wildcat per 160 square miles has been drilled in Western Canada's oil area, compared with one per 10 square miles in the United States.

The obvious conclusion of all this is: In Canada it costs about half as much to find and develop the raw material—oil—as it does in the United States.

Now of course finding and developing the raw material—the crude oil reserves—is just the first problem. The reserves are of no value unless there is an adequate market in order to realize a revenue from them.

Western Canada does, at the moment, have a marketing problem. The production capacity of a million barrels daily is nearly double the actual production of about 540,000 barrels per day. In other words, right now we can sell only half as much oil as we are capable of producing. With a production rate of 540,000 barrels daily and reserves in the order of 4.5 billion barrels, our present annual production rate represents about 4½% of the now proven reserves. This compares with an annual United States production rate of 10% of proven reserves. So we are producing our known reserves at an annual rate of less than half that of the United States.

I would venture to predict that within the next 10 years our production will increase at least threefold — possibly more. Right now, Canadian crude oil requirements amount to 750,000 barrels daily. For 1967, the forecast is for 1.4 million barrels daily, or double the present requirements.

Oil Exports to U. S. A.

In addition to the growth in our domestic markets you will witness, over the next 10 years, a large increase in crude oil exports to the United States. The United States, with only 15% of the known oil reserves in the Free World, uses 60% of the Free World oil production. Good economics would dictate that the United States must continue to import at least some of its crude oil needs, and Canada rates as a logical source for a large portion of these requirements. Firstly, the reserves are close to the market; secondly, Canadian oil costs half as much to find and develop; and thirdly, ours is a politically "safe" and dependable country to do business with.

In the Puget Sound area of Washington alone, two refineries with combined capacities of 90,000 barrels daily now use Canadian crude exclusively. Planned refinery construction over the next four years will increase this to between 225,000 and 260,000 barrels daily of refinery capacity using Canadian crude oil exclusively. This is just **one** United States oil importing area.

The "Oil and Gas Journal" recently predicted that United States imports of crude oil, now running at the rate of 1.5 million barrels daily, will amount to 2.61 million barrels per day by 1965, an increase of more than a million barrels a day in eight years. A large portion of the increased imports will come from Canada.

Natural Gas Bonus

There is an additional bonus for exploratory oil companies—natural gas. Until this year, it was no bonus. It represented an unsaleable asset. This year, the potential demand for natural gas from Western Canada has grown so much that Canada's two main gas lines, Westcoast Transmission and Trans-Canada are hard-pressed to sign up enough gas reserves. A year ago it seemed as though there would never be enough market for Canada's idle gas. The situation has now reversed itself, and producers will be concentrating on the search to find more gas to satisfy the potential market requirements.

Now we have the reasons why the Canadian oil and gas industry is an outstanding field of investment opportunity: The raw material is abundant at a comparatively low cost; the market for this material, already sizable, will increase at least threefold within the next 10 years. The natural gas development, just now starting, will augment this.

If you were to select a Canadian oil security that grew no faster than the growth rate of the industry as a whole, this hypothetical security should show an increase in value of three or four times during the next 10 years.

The wise investor is looking for something a little "better than average."

Four pre-requisites are necessary for an independent to be successful in Western Canada. You undoubtedly know what these are, but I'll mention them anyway. First, a diversified spread of selected land holdings on which to look for oil and gas; second, financial resources adequate to maintain exploration and development programs in proportion to the size of the land holdings; third, technical know-how, skill and experience, to be able to combine the financial resources and acreage and come up with oil reserves; and last—a little bit of luck.

*From a talk by Mr. LaBorde before the Oil Analyst Group of New York City, Oct. 31, 1957.

States' Securities Administrators Look at New Developments

By MELVIN O. HALL*
President, National Association of Securities Administrators
Securities Administrator, Connecticut

Regulation of variable annuities under state securities and not insurance statutory law, states' uniform securities act and uniformity in regulations, and NASD's pre-emption of state supervision are three different topics commented upon by President of National Association of Securities Administrators.

Recently a Federal court in Washington ruled that Variable Annuity contracts are exempt from regulations by the Securities and Exchange Commission and are subject to insurance regulations of the various states. It has been announced that appeals all the way to the United States Supreme Court, if necessary, will be made, consequently, it may be many months before a final determination will be made. If the final decision of the court were to be that the sale of variable annuities would come under the supervision of the SEC on the Federal level, it would not automatically mean that the administrators on the state level would assume similar supervisory authority. Changes in state statutes would undoubtedly be required. It would, therefore, seem advisable for state administrators to seriously consider instituting action for such changes. Possibly, however, such statutory changes should be sponsored by the securities industry, for certainly that industry has a vital interest in this problem. The type of sponsorship of such legislation would be determined on an individual state level basis for unquestionably it would vary between states.

For example, in Connecticut this year, the securities industry sponsored a bill which would have included in The Connecticut Securities Act, variable annuities under the definition of the term "securities." This bill, although receiving strong support from the industry, was referred to the Legislative Council for study as the result of the strong opposition from legislative representatives of the insurance industry. It was their contention, although they freely admitted a complete lack of knowledge of securities supervisory laws and policies, that the insurance companies should be solely supervised by the insurance departments of the various states.

Shortly after this legislative action the Connecticut Supreme Court of Errors handed down a decision which in effect prohibited a Connecticut fraternal benefit society, which was in the business of issuing insurance policies under the supervision of the Connecticut Insurance Department, from issuing a policy to be known as a variable endowment policy. The court held that the definition of an endowment insurance policy which the society was authorized to issue, did not encompass a variable annuity contract, and legislative permission would have to be obtained before the sale of such policies could be made. The court did not determine whether or not the policy would be construed to be a "security" under the definition of that term in The Connecticut Securities Act. An interesting observation has been advanced to the effect that had The Connecticut Securities Act been amended as originally proposed, it not only would have placed the issuance of such policies under the same supervision as securities but would also by inference permit the issuance and sale of such policies by all Connecticut Insurance companies, should their charters permit the sale of securities. Naturally, such an interpretation would have required court determination but it is a factor which should be given consideration when changes in statutes are contemplated.

Uniform Securities Act

The Uniform Law Committee presented to the National Association of Securities Administrators at its last convention, in its final report, a proposed Uniform Securities Act. It appears to me, therefore, that to guarantee a complete uniformity in the application of the Act upon enactment that its interpretations through regulations should also be uniform. A lack of uniformity in regulations and the various business forms required in administering the Act could, in effect negate many of its benefits.

The task of proposing a set of uniform regulations was assigned this year to the Association's Law Forum Committee. The committee, unfortunately, had many personnel changes and all members were busy with legislative problems. Early this summer the committee informed me that they felt time did not permit them to make any significant progress on this project and even raised the question whether or not the Association should, at this time, undertake the task.

It would seem that the preparation of proposed uniform regulations, not only is logical but necessary. Certainly a state legislature should want to know about the proposed regulations to be issued under the Act, as well as the merits of the Act itself. To cite a specific example, the entire Uniform Securities Act was introduced into the Connecticut Legislature this year. The legislature took no action on this bill but merely referred it to the Legislative Council for study. This Council consists of the legislative leaders and they make a study of the various bills referred to them and are expected to report to the next legislature which will convene in 1959. I feel certain that this bill will receive little if any support from the securities industry or supervisory officials in Connecticut before proposed uniform regulations and forms are available. Unquestionably the Council will also require this information before making a complete study of the Act. This would appear to be the logical legislative approach and it is reasonable to assume that other state legislatures would act similarly, particularly if they presently have a securities act which is adequate and workable. It well may be that the Association Committee which commences this task might find it very beneficial to request the assistance on an advisory or consultation basis of members of the various securities groups and other experts in this field.

National Association of Securities Dealers

During the past year the National Association of Securities Dealers instituted a program which requires all member firms to have new salesmen pass an examination prepared and given by their Association before the new employee may become registered with that Association. This is a very commendable procedure and should be of material assistance to the securities administrators and the industry in making certain that new salesmen are well versed in basic investment principles and supervisory aspects of the industry before they contact the public as a securities sales representative. It is, however, difficult to understand why the NASD requires the applicant to be registered with state authorities before permission is granted to take the examination. It should, I believe, be the reverse for it seems very unusual that an Association of this type would attempt to set itself up as a "final authority" and in effect pre-empt state supervision. I am certain that a logical solution can be resolved.

*An address by Mr. Hall before the 40th Annual Convention of National Association of Securities Administrators, Santa Fe, New Mexico, Oct. 7, 1957.

With Oscar G. Werner

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Richard C. Ashmore, Bert L. Sharp and William H. Stephenson have joined the staff of Oscar G. Werner & Co., 3870 East Colorado.

COMING EVENTS

In Investment Field

Nov. 23, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia fifth annual dinner dance at Germantown Cricket Club.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

Jan. 17, 1958 (Baltimore, Md.)
Baltimore Security Traders Association 23rd annual midwinter dinner at the Southern Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Customer Relations and Business Development

By BRADFORD A. WARNER*

Vice-President, Manufacturers Trust Company, N. Y. City

Manufacturers Trust official presents a concise tract on his bank's philosophy and approach to business development and customer relations. In referring to the much faster increase in commercial bank expansion vis-a-vis population rise and the magnitude of the market, Mr. Warner stresses the importance of advertising in cultivating small accounts and small loans as well as large customers. Emphasizes results gained from better location, higher savings deposit interest rate, remaining open Monday evenings, and improving personal loan department.

It would be trite but true to point out that a bank could not exist without customers. Without depositors, borrowers and the various other types of customers who deal with banks, a bank would simply be an investment company, and a small office with a manager and a few security analysts is all that would be required to invest the bank's capital funds and you and I would be out of jobs! So it can be said that all of the buildings, officers, and employees which a large bank has are there to serve, directly or indirectly, the customers of the bank. It would, therefore, be equally true to say that, for the most part, it is the customer who pays our salaries, for it is the income which the bank earns from lending or investing the depositor's money and rendering various kinds of services to the depositor or other customers that provides the bulk of the income, out of which the bank pays its expenses and taxes.

Bradford A. Warner

I do not say these things to belabor the obvious, but merely to emphasize the importance of the customer in the banking world. If banking is to progress, and none of us wishes to be engaged in a business which is not progressing, we must have more and better customers. This, too, also borders on the obvious, but in the light of the history of the relations of banks with their customers one might point out that for a great many years the people who managed banks behaved as though it were not obvious at all.

Subject to minor exceptions, the American banking system prior to World War I simply grew with the expanding economy. When there were depressions there was trouble. When "times were good" the money just kept coming in, and there always were more than enough credit-worthy borrowers to enable the bank to lend as much of its funds as it chose. Bank managements, for the most part, took the attitude that it was a privilege to do business with a bank and they waited for customers to come in. Customers did come in, and in most instances it was regarded by bankers as undignified, if not unethical, to solicit business.

Banking Promotion

The Liberty Loan campaigns of 1917-18 put an end to this quiet, pastoral atmosphere. As a patriotic duty, banks found themselves almost automatically nominated as salesmen for Uncle Sam. To their everlasting credit, they did a splendid job in selling Liberty bonds to the public, especially so because, for the most part, none of them had any previous selling experience. This success led to somewhat sporadic efforts by banks to sell their services during the Twenties, but the expanding economy of that period kept the money rolling in, and generally it could be loaned at profitable rates of interest. Briefly, there was no compelling reason for banks to engage in sales promotion.

Again in the Thirties, still speaking generally, there was no strong incentive for banks to promote business, but for an opposite reason. In the depression years, credit-worthy business and individuals did not need to borrow, and most people and businesses could not qualify for credit. Deposits piled up in banks, and there was no point in seeking more deposits because banks could not lend or invest the money they had —except at "starvation" interest rates. The so-called "prime rate" was 1½% with few takers. Short-term government securities yielded less than 1%.

During World War II the banking situation reversed itself in some ways but still did not generate a need for promotional efforts —except perhaps to sell War Bonds and obtain government-guaranteed "V" loans. As the government spent billions of dollars for the conduct of the war, deposits piled up in banks and were invested in more government securities to enable the government to spend more billions, and so on. Because of wartime personnel shortages, banks found it difficult to handle the business they had, let alone seeking additional accounts.

With the return of peace in 1945, however, a new phase began. The war had effected a redistribution of personal incomes in this country—a "leveling down and a leveling up"—and thereby started a trend which is still continuing, with assists from the labor unions and the progressive income tax. Stated simply, since 1945 there have been more people with more money than ever before. These people, in many instances, needed banks for the first time in their lives, and there are millions of them. Thus a brand new market opened up for banking services.

Commercial Banking Rise

To illustrate, let me quote some figures compiled by the Federal Deposit Insurance Corporation as to the number of checking accounts carried by insured commercial banks. These banks, as you undoubtedly know, account for more than 98% of the banking business of the nation. The tally is as follows:

Year	Number of Checking Accounts
1936	22,109,000
1941	26,293,000
1945	35,622,000
1955	52,129,000

Thus, in a 19-year period when the population increased less than 30%, the number of checking accounts carried by banks rose about 136%.

I know that these figures are so massive that it is difficult to grasp their significance. Perhaps it would be easier to remember as an index of the growth in public demand or banking services that the number of bank accounts per 100 population in this country has increased from 45 in 1936 to 77 in 1955, the latest year for which statistics are available, and has gone up to at least 80 by now. Although the term "growth industry" has been used often and sometimes rather loosely in recent years, I think these figures prove conclusively that banking really is a growth industry and that it offers opportunities for both employees and investors in the years to come. Not alone in checking accounts but also in savings accounts and in instalment loans have banking services shown a tremendous expansion in the last 10-20 years. In addition to the 52 million checking accounts carried by insured commercial banks in 1955, they also carry 52½ million savings accounts. Although much has been said about the failure of commercial banks to meet the competition of savings and loan associations and mutual savings banks, the fact remains that the total amount of savings carried by commercial banks has increased more than $18 billion, or better than 60%, in the past 12 years. In the field of instalment credit the increase has been so spectacular that it is almost unbelievable. The amount of instalment credit outstanding at all commercial banks as of June 30, last, was approximately 16½ times the total volume at the end of 1945! Sample studies made by the Federal Reserve System indicate that about 47% of all families are using instalment credit at the present time. Inasmuch as commercial banks account for about 38% of the total instalment credit outstanding, it would be a safe assumption that probably 17 or 18% of all families at present are borrowing from banks through their instalment loan departments.

Advertising Banking Services

I am well aware that statistics are boring, but those I have just mentioned were cited to show the magnitude of the market for banking services. This very fact should influence our thinking to the extent that banks should look for "markets" rather than for individuals as customers. In promoting the traditional type of banking services, I know, all of us have thought of obtaining the account of John Doe, an individual. Insofar as serving the so-called common man is concerned, it is obviously uneconomic for a bank to use valuable manpower in soliciting small accounts individually. The logical medium for promoting the use of banking services by people of moderate means is through advertising, supplemented where necessary by individual solicitation to a limited degree as I will explain later on.

The recently outgoing President of the American Bankers Association, Erle Cocke, stated the matter very cogently as follows:

"With today's competition for the consumers' dollars, banks can't wait for business to come to them. Besides expanding facilities to meet new needs, banks must do everything they can to let the public know about these services."

At this point the traditionalist might very well ask the question, why bother with small accounts and small loans? Doesn't it cost us more to handle them than they are worth? And it would not be difficult for a cost accountant by making the proper assumptions to prove that the margin of profit on small checking and savings accounts is very narrow indeed. So let us answer the question with a negative example. One large bank which solicits only large business has shown a loss of about 25% in its deposits since 1945. The answer would seem to be that banking, like any other business, must know where its markets are and cultivate them. It is no accident that the world's largest bank was one of the first, if not the first, to seek and cultivate the business of all types of customers, both large and small. It is likewise no mere coincidence that within the past 10 years a number of large New York City banks have seen the light and have decided to expand their advertising expenditures very materially in the direction of letting people of modest financial means know that they are welcome as customers.

Cites Own Bank's Growth

Because of our historical background, we at Manufacturers Trust Company have almost always been a bank for the small as well as the large customer, and to that fact we attribute what success we have had in growing both absolutely and relatively in the last 25 years. Our bank now accounts for a little more than 9% of the total deposits of all New York City clearing house banks, whereas in 1940 we accounted for 5.15%. This is what I mean by growing relatively as well as absolutely.

At this point I would like to utter a word of caution. There is no magic formula for developing the new markets for banking business. One might say that it requires probably 10% new ideas and 90% consistent hard work—keeping "everlastingly at it." I have already mentioned advertising as a means of developing markets and in this sector consistency is perhaps more important than anywhere else. Again and again we have occasion to remind our operating officers that one single advertisement, standing alone, has little if any value as a means of promoting business. There must be consistent repetition of an advertising theme month after month, year after year, in order to create any impression at all on the consciousness of the public. Banking is a quasi-professional business and people do not rush in to open an account, simply because they have read an ad of a bank, as they might go into a department store the day after reading an advertisement of a bargain sale. We must build up a relationship in the mind of the reader between ourselves as an institution and the things that we can do for him. Then, when the prospective customer needs a banking service he will automatically think of us as a place to obtain it, almost subconsciously.

It would appear that American banks as a whole are recognizing the importance of advertising in cultivating their markets. The American Bankers' Association has estimated that total advertising expenditures of all banks have increased from $20 million in 1946 to $100 million this year. This, I think, is a good sign. But it is not the sole requirement. All the advertising in the world will not offset the effects of poor service to the customer. This is where customer relations ties in to the subject of business development.

Good Customer Relations

If one were to take an easy and superficial view of the matter of customer relations, we could tell ourselves that because the number of customers of banks has been increasing in recent years our customer relations must be good, but that, as the catch phrase in the popular song goes, "ain't necessarily so." The number of customers of banks has been increasing because our markets have been broadening, and sometimes

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*An address by Mr. Warner at a meeting of the officers and directors of Girard-Corn Exchange Bank, Philadelphia, Pa., Oct. 5, 1957.

THE MARKET . . . AND YOU

By WALLACE STREETE

Various diverse forces in this week's stock market added up mostly to some more uncertainty, sprinkled with some definitely easy spots, and left wide open the question of what comes next.

Record Rights Transactions

The big fanfare was in the rights offering of Standard Oil of New Jersey. The fact that some 196,500,000 of these rights will be issued led to some hectic trading. On the first appearance after they were admitted to trading the opening block came to 8,500,000 and afterward six-figure trades were commonplace. So far turnover has run to around 10% of the issue.

* * *

It made the market, and particularly the oils, definitely uneasy. The weight on the price of the stock had whittled away a good part of the premium over the $44 offering price to those who exercise their rights.

* * *

Appearance of the rights in such bundles indicated that important holders of Jersey stock had no intention of adding to their holdings. With the second largest share capitalization of any major American corporation, Jersey was more or less a test case over whether such a large operation could be handled successfully.

* * *

The other recent ones that had fabulous size were slightly different. American Telephone holds the record for a stock offering but it pegged the new shares at a fat discount below the going price of the stock, as against the few points available in the Jersey situation.

* * *

General Motors might be comparable when it issued rights to 4⅓ million shares of new stock in February of 1955 but at that time the GM offering entailed only some 87.6 million rights and even before they were out du Pont had added considerably to sentiment by announcing it would exercise no less than 20 million of that bundle. The market climate was also more favorable.

* * *

In dollar amount, the Jersey offering of $288 million ranks both behind GM's $328 million and Telephone's $573 million. But the difference in the amount of rights available in the "float" set some trading records that will probably stand for a long time.

* * *

The progress of trading was watched closely lest any unexplained deluge of either stock or rights, without support, send the entire market into a tailspin. Other oils suffered sympathetically and some of the news items of oversupply in various centers helped the bad work along.

Dismal Views of Steel Issues

Steels had little in the way of fodder, operating rates lending little encouragement to steel fanciers, and increases in auto production were written off as the inevitable rebound when a new model year gets underway. There was little even in industry circles to indicate that auto company buying of steel was anything but ultracautious. Nor did the stress on the expanding use of aluminum call for anything unrestrained.

* * *

In the teeth of all the confusing signposts, and the thick cloud of caution prevailing, some of the Street houses even gave up—temporarily—any attempts to cull out issues that could be recommended in clear conscience to the customers. And this is not a situation that prevails often.

* * *

Others were definitely defensive in their scanning, or did their foraging among the definitely neglected items where excesses hadn't called for any correction in a long time.

Neglected Closed-End Investment Company

Where, as in the case of Carriers & General Corp., a closed-end investment company, available for periodic investment in listed trading, a yield of well past 7% (including distribution from capital gains) is offered, it was just that much more added inducement. This particular issue—to illustrate the market neglect—hasn't wandered over a range of a full half dozen points so far this year and its area since 1954 isn't a full dozen points despite all that happened in those years.

* * *

Similarly ignored by the market is W. T. Grant Co., to name one of the many store stocks that haven't been in demonstrated investor demand for a long while. The same evidence of neglect is apparent here—a range of not even 10 full points, a yield nudging 7% at recent prices and a price recently that was the lowest it has been available in a handful of years. The variety chain company, however, has been busily expanding and is aiming at sales of better than $400 million for the first time in its long history. Its dividend is well sheltered and the company is in strong financial condition.

Diversified Leader Ignored

Corn Products, although it is commonly considered a bellwether by virtue of the fact that it is a component of the more important averages, has been virtually ignored by the market for long. It withstood the October selling in the market by doing nothing decisive, even showing a very modest appreciation on the month, approaches the 5% yield basis and has held this year in only a hair more than a four-point range.

* * *

Since it last attracted market attention by a 3-for-1 split in 1955, the issue has lolled in a range of only around half a dozen points while the industrial average, of which it is a part, has reached historic levels and, lately, suffered a rather sizable reverse.

* * *

There is little dramatic in store for the company, as far as those who have studied it can see, but there is much favorable from recent diversification efforts and reduction in operating costs. A steady increase in earnings is seen ahead following its breakout of a stable earnings pattern in 1955-56. The increase is generally held to modest predictions on the order of 25 cents a share, but the projections carry all the way to 1960. The estimates are on the conservative side, with not all of the foreign earnings included in such figuring. Only the amounts expected to be remitted are included and foreign sales growth is projected at around 10% per year.

A Defensive Attraction

There were some indications that mild interest was also being devoted to Wrigley which is a high grade item that is an important member of the defensive section when market going is rough. Here the sales pattern has been one of good growth but with earnings fairly stable because of heavy promotional expenses. The yield of 5½%, however, is both sheltered and adequate for a quality issue.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange the following:

Levering Cartwright, Cartwright, Valleau & Co., Chicago, Illinois; Joel H. Clark, Joel H. Clark & Associates, Inc., Texarkana, Texas; George A. Dockham, Hincks Bros. & Co., Inc., Bridgeport, Connecticut; John D. McHugh, James J. McNulty & Company, Chicago, Illinois.

The Importance of Allies to U.S. Strategy and Policy

By BRIG. GEN. DAVID SARNOFF*

Chairman of the Board, Radio Corporation of America

General Sarnoff urgently calls for, and presents, a program to mount a "cold war" offensive against the U. S. S. R. as the surest way of preventing a hot war. He makes clear that recent Soviet advances have vastly increased the Communists' capacity to exact "political blackmail" from big nations, anxious to yield on a piecemeal basis rather than risk war, and to pose as a champion of anti-colonialism or to frighten small nations into neutralism or submission. Attacks the "dreadful parity" assumption widely held which argues wars will not come about so long as each side is equal to, or capable of annihilating, the other. Sees at the most five years for our allies and ourselves in which to utilize our opportunities and resources.

That we cannot dispense with allies is, of course, too obvious to require elaboration. Whatever isolationist illusions may have survived the Second World War have been washed out by a decade of headlong progress in aeronautics, electronics and nuclear science.

David Sarnoff

We live in a world so shrunken that political and social explosions anywhere produce instant and frequently serious tremors everywhere. Like it or not, we have become in large measure our brother's keeper. Areas on the world map which not long ago seemed too remote and exotic to interest anyone but archeologists and anthropologists have now become items of front-page news, objects of Cold War rivalry and seedbeds of international trouble.

One of the main objectives of Soviet intrigue and diplomacy has been to isolate the United States by stripping it of friends and allies. Every symptom of free-world disunity—of what the Communists call "contradictions in the camp of imperialism"—brings joy to the Kremlin. Moscow has used everything from cajolery to blackmail in its drive to break up NATO and other defensive alliances. It has not hesitated to make naked threats of nuclear annihilation against country after country aligned with the West.

This concentration of enemy effort should be sufficient proof of the critical importance, at our end, of strengthening existing alliances and winning new friends among the so-called uncommitted nations. Every affirmation of free-world solidarity is a body-blow to Soviet policy. But the allies, actual and potential, whom I propose to emphasize, are in another and too often neglected dimension.

Captive Peoples Are Our Allies

I refer not to nations but to peoples: to millions of men and women on the dark side of the Iron and Bamboo Curtains who hate their Soviet chains and whose cause is therefore our cause. They are the secret legions of freedom deployed on farms and in factories, in schools and offices, in the Armed Forces and even in the ranks of the ruling parties, throughout the Soviet empire.

This week marks an anniversary at once glorious and tragic. It was in the last week of October one year ago that the people of Hungary made their thrilling bid for freedom. Those who scoffed at the possibility that the victims of Communist dictatorship could ever rise against their masters received a flaming answer, as they had received it a few months earlier in Poznan, Poland, and three years before in East Germany and in Siberian slave camps like Vorkuta.

We know, as the Kremlin knows, that the Hungarian people have not surrendered in their hearts, and await only a favorable opportunity to strike again. Tanks and machine guns can impose sullen obedience but not allegiance. And we know that the same explosive forces of discontent and despair, the same God-given hungers for freedom and human dignity, are maturing under the surface of every other Communist-held land, including Russia itself.

It has long been my conviction that those who plan our strategy and policy should at all times take this element in the world equation into their calculations. Internal tensions on every level of Soviet society represent the weakest links in the Kremlin's chain of power and therefore our greatest opportunity for making common cause with the direct victims of Communism.

For many years we have seen the fateful contest between two worlds on which depends the future not alone of our own country but of the human race. On at least one front of this complex struggle, the one involving communications, I have been not only an onlooker but a participant. And it has seemed to me increasingly clear that the contest is essentially *a war of ideas*. Abstractly, this has been so widely acklowledged that it has the ring of a platitude. But concretely, we have not yet translated the platitude into policy and action of the necessary potency and on the necessary scale.

Technology and Ideology

At the conclusion of World War II we witnessed the emergence of two spectacular species of force, seemingly at the very opposite ends of the spectrum of power. One was *technological*, dramatized in V-1 and V-2 missiles in the European theatre, and in the first atomic bombs on the other side of the globe. The other was *ideological*, manifest in the thunderous clash of 'isms, the collapse of old colonial empires, the dynamic Soviet challenge to the very foundations of our civilization. Since then, both species have unfolded and expanded at a dizzying pace.

At the technological end, we have seen breathtaking aeronautic, electronic and nuclear progress, now converging in a climactic weapon: the Intercontinental Ballistic Missile capable of delivering unprecedented destruction and death from any point on this earth to any other point. The artificial "moon," launched by the Soviets early this month which circled our globe every 95 minutes, is a symbol of scientific achievement packed with peril to the human race.

At the ideological end, the unfolding has crystallized in what has come to be called the Cold

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*An address by Brig. Gen. Sarnoff before the 3rd annual meeting of the Association of the U. S. Army, Washington, D. C., Oct. 29, 1957.

Steel Industry's Greatest Challenge

By JOSEPH L. BLOCK*
President, Inland Steel Company

Three threats confronting the steel industry are seen by Inland Steel head as constituting the greatest challenge ever directed at the industry. Mr. Block foresees his industry's loss of freedom arising from the following dangers: (1) steel's inability to attract capital, based on comparably poorer earnings, will affect output rate and encourage, in turn, nationalization demands; (2) economy's inability to check inflation may prompt wage-price control which is another road to nationalization, and (3) inadequate communications with public and employee creates a dangerous lack of understanding of the true facts.

I shall run counter-custom, if this be the custom, by stating at the outset exactly what I mean by my title "The Steel Industry's Greatest Challenge." My view is that the greatest challenge facing us today is the preservation of our industry's freedom.

Joseph L. Block

As far as I know, no one at the moment is suggesting that the steel industry be nationalized or that the government construct new steel plants. I am, of course, mindful of England's experiences in respect to nationalization, and do not find it difficult to recall the threat of a recent President that the Federal Government would build its own mills if the industry failed to provide adequate capacity. However, we dare not wait until action is advocated by governmental leaders or others in the public eye. We must be alert and ever vigilant to prevent the development of conditions which are conducive to such ideas. I believe it is no exaggeration to say that the freedom of every American is directly tied to the freedom of the steel industry.

Nationalization

We all know that governmental controls and socialistic activity once begun usually grow until, like a cancer, they can no longer be kept in bounds. A nationalized steel industry would, of course, be the forerunner of governmental operation in many other industries. This would inevitably lead to regimentation, including controls over wages, prices, production, distribution, etc. Such measures, throughout history, have imperiled individual liberty. Free speech, a free press, a free choice of occupation, religious freedom, free elections—all the basic freedoms we, as Americans, prize most dearly — would be endangered. If this premise is correct, then surely the preservation of the freedom of the steel industry is of the highest order of importance to the American people.

What are the factors which might cause the industry to lose its freedom? I can think of several. First of all, if we did not continue to provide the steadily increasing steel production required by the American people, there would quickly be a demand for publicly owned steel-producing facilities. Can we provide our country with the steel it needs in the future as we have in the past? I would hopefully answer "yes" but would be forced to add a qualifying clause such as "provided we make an adequate return so that we can attract capital needed for the gigantic expenditures which will be required."

Are we in such a position? I doubt it. We all know that the steel industry, over a long period of time, fared less well as a profit maker than industry in general, and statistics indicate that only in the last two years—extremely good ones for the industry—were we able to come up to the average. However, I am wondering whether this is the best type of comparison. Averages do not tell the whole story. Whether we like it or not, the larger companies in every industry must, in general, provide the greatest growth. Therefore, I think it is pertinent to compare the earnings of the leaders and not just the averages.

Comparable Earnings of Leaders

In 1956, U. S. Steel, Bethlehem and Republic, the three largest producers in our industry, had a return on their net worth of 12.6%, 12.1% and 13.8%, respectively. Let's see how these figures compare with the profitability of the leaders in some of our other important manufacturing industries. Douglas Aircraft, the largest in its field, made 21.7%; General Motors, the No. 1 automobile manufacturer, made 18.5%; National Lead, outstanding in its industry, made 24.2%; DuPont and Union Carbide, the two leaders in the chemical industry, made 17.6% and 18.0%, respectively; General Electric, the outstanding company in the fields in which it operates, made 18.7%; and just to round it out, I might mention that such a well known company as Gillette, purveyors of razors and hairdos, though not a heavy industry, chalked up a return last year of 43.0% on its net worth. These are some of the companies with which the leaders of the steel industry must compete in the capital markets.

While comparisons of return on net worth may have certain shortcomings, this yardstick is the best I know of for relating the profitability of one company or industry or year to that of another. It is certainly far better than mere dollar comparisons with earlier years when volume was smaller and the value of money greater, a most deceptive method often used by labor and political statisticians. And based on this data, although progress has been made, steel appears still to be among the "poor relations" in the family of vital industries.

Realistic Depreciation

Much has been said of the inadequacy of the permissible depreciation allowances—the result of the inflation of the past two decades—and I shall not belabor this point tonight. Suffice to say that the steel industry, for obvious reasons, must replace its equipment at greater frequency and at relatively higher costs per sales dollar than some of the other industries with which it is competing for investment dollars. Thus, it is at a further disadvantage by having to use a large part of its retained earnings for such purposes, rather than for expansion and improvements. I hope this situation will be remedied at the next session of Congress, and action will be taken to relate depreciation allowances to replacement costs.

It is a very simple matter to prove that no one today could build a completely integrated steel plant and, with existing prices, make a return which would justify the investment. Indeed, by any proper method of accounting the return, if it existed at all, would be less than could be obtained from a government savings bond. This is not a healthy situation, and is but one more added proof of the inadequacy of the earnings of the industry.

For these reasons it seems to me that individuals who attack steel earnings and steel prices as being too high are, knowingly or unwittingly, advocating the nationalization of the industry. I urge those who desire to be objective, and who prize our freedoms, to take a good hard look at the facts.

Inflation's Threat

Another way in which the freedom of our industry could be lost is by the inflation route. In this area, while the steel industry has great responsibility, it is but one of the many important groups involved. Of course, all other industries, all labor organizations, government — and in the final analysis, the general public—share this responsibility.

If inflation continues unchecked, there is bound to be a ground swell of public opinion for controls of wages and prices. This could well be another road toward nationalization and socialization which, as I have indicated, would be so inevitable if the industry could not provide the country with its steel requirements. In this case, however, all industry could be engulfed at once.

No sincere, informed and unbiased individual denies that increased wealth can only come from increased production. Higher wages alone do not add to the supply of goods and services. Yet somehow the public at large still does not recognize the basic truth that any wage increases beyond productivity gains inevitably lead to price increases and inflation. It is unfortunate but true, that the average American today says, in effect, "A plague on both your houses" and points the finger of guilt alike at industry and labor. Yet, last year we took a long and costly strike to try to hold the wage advance as close as possible to productivity gains. We failed in our effort, and got little credit, if any, for the high purpose we attempted to achieve.

What of the future? Is there any hope of holding employment cost increases to levels which will not cause inflationary chain reactions? If not, the outlook is bleak, indeed, and our private ownership, free enterprise system is doomed. I, for one, will not be a party to any such gloomy, defeatist point of view. Unbridled inflation is a creature of man, not of God, and can be conquered by man. It brings harm to all, and all must unite to prevent it.

Poor Communications

My final example of a way in which we can lose our industry's freedom is by inadequate employee and public relations. This is, of course, intimately related to the other two. We will have no chance of making adequate profits to assure growth, no chance of halting inflation, unless the story is properly told and understood by all concerned.

As an industry and as individual companies, we have made great strides in recent years in this important activity. But we have a very long way to go. I have already referred to the prevailing erroneous opinion that industry and labor are *equally* responsible for inflation. Let me give you two more examples of the inadequacies of our public relations, examples which pertain to the matters I have been discussing.

In a recent survey, Opinion Research Corporation asked which of 16 listed industries made the highest profits. The largest number of replies—37% of the total—picked steel. Only 28% named automotive, 28% petroleum, 14% aircraft and 12% chemical. Yet all of these industries exceeded steel in their 1956 percentage of return on net assets according to a compilation made by The First National City Bank of New York.

In another question they asked which of a number of named alternatives "would be of most help in stopping inflation." More than half of the replies checked "Companies cut prices by lowering profits" but only 14% checked "Companies cut expansion plans in half," apparently sensing little relationship between profits and growth. Another disturbing statistic indicates that 41% checked the answer "Put price controls back on for awhile."

Here is clear evidence of popular misconceptions, of the need to do a better and better job of telling our story and getting it across. And we must start with our own employees. I wonder how many top executives are using their company publications to tell these important facts to their own people. All too few, I am sure. Yet, our employees are literally bombarded by false or misleading propaganda put out by those who value the selfish gains of the moment more than the long-range good of their fellow countrymen. The same can be said of the teachers, clergymen, editors and other thought leaders of our communities. In instance after instance it is indicated that they have not had access to the facts, and have only been exposed to biased or uninformed viewpoints.

Can anyone doubt that the preservation of our freedom is the industry's greatest challenge? Can anyone doubt the diffficulties of the task? No, the need is clear and the road is hard. But the goal is all-important to the well-being of our country and our fellow citizens. With diligence and perseverance it can be achieved.

*An address by Mr. Block before the regional meeting of the American Iron and Steel Institute, Oct. 16, 1957.

Halbert, Hargrove Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Jack A. Morgan has been added to the staff of Halbert, Hargrove & Co., 115 Pine Avenue. He was formerly with Gill-Harkness & Co.

Joins Bennett-Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Kenneth S. Welty is with Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard.

With Dempsey Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dane C. Wagner is now affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with J. Logan & Co.

E. M. Newlin Joins Janney, Dulles Firm

PHILADELPHIA, Pa.—E. Mortimer Newlin has become associated with Janney, Dulles & Battles, Inc., 1401 Walnut Street, members of the New York and Philadelphia Stock Exchanges. Mr. Newlin was formerly an officer of H. M. Byllesby & Company, Incorporated.

Thomas Watson Sales Mgr. for F. J. Winckler

DETROIT, Mich. — Thomas H. Watson has become associated with F. J. Winckler Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges, as general sales manager. He was formerly in the syndicate department of Baker, Simonds & Co.

H. B. Shaine Co. To Be NYSE Members

GRAND RAPIDS, Mich. — Hyman B. Shaine will acquire a membership in the New York Stock Exchange and on Nov. 21 H. B. Shaine & Co., Inc., McKay Tower will become an exchange member firm. Officers are Mr. Shaine, President; Edward M. Silverstein, Secretary, Maurice J. Amelar and Richard J. Boss, Vice-Presidents, and Myron M. Sharp, Treasurer.

Thomson & McKinnon 1/4 Century Club Dinner

Henry Holt of Indianapolis, senior partner of Thomson & McKinnon, members of the New York Stock Exchange, was the guest of honor last night at the Quarter Century Club of that firm. The organization consists of partners and employees of the firm with a record of more than twenty-five years of service. Mr. Holt is also the member with the longest record of service, which goes back to 1909. Alfred W. Haywood, the only honorary member of the club, attended.

After dinner on the Starlight Roof, induction of three new members took place. They are Frank L. Parks and Howard P. Keady of New York and T. Haskell Hightower of Jacksonville, Florida. Fifty members, coming from the numerous offices of the firm in Florida, Georgia and the Carolinas, from other offices in the western states and from the Canadian offices augmented the New York members and joined in the festivities.

What About Railroads In the Next Ten Years?

By WILLIAM T. FARICY*
Chairman of the Board, Association of American Railroads

Retiring railroad spokesman predicts great strides rather than a decline for his industry in the next ten years, particularly in vastly improved plant, capacity and service, providing earnings are improved. Mr. Faricy looks forward to rails being allowed to: (1) offer complete service by utilizing various means of carriage best suited to each portion of transportation movement; (2) set rates reflecting inherent advantage of each form of transportation, and (3) handle properly such problems as swollen inflationary costs, subsidized competition, and unfair taxation.

Ten years ago we had only recently completed the truly epic rail transportation performance of World War II — a performance of which it has been said that nowhere in all the world was the military might of America lessened, or the striking power of its armed forces diminished, by reason of any failure of rail transportation here at home. We took pride in the past, but we were more concerned with what lay ahead in the future. Ten years of what was then the future are now in the past. These years have seen the virtual completion of the diesel revolution in railroad motive power, then only in its early stages. They have seen the spread of centralized traffic control, the introduction of automatic "push-button" freight yards, the wide adoption of the principle and practice of transporting trucks and trailers on flat cars. In fact, so rapid was the growth of this last named operation that it outran the English language, and a new use for an old term had to be found to describe it—"piggybacking." Thus, railroading continues to enrich our language as it develops our service—railroading which has a distinct jargon of its own—making it at once the despair of the rhetoricians and the paradise of the neologists.


William T. Faricy

$12 Billion in Ten Years

In the decade just past, the railroads have spent more than $8 billion for over 22,000 new locomotive units and for 638,000 new freight cars. In the same years the railroads have spent more than $3½ billion for improvements in fixed plant—for better tracks and bridges, yards and terminals, signals and shops, and a host of other new and improved elements in the roadway and structures which are at the foundation of the railroad business. The railroads have, in sum, spent in the past ten years just under $12 billion—an average expenditure of almost $1.2 billion a year—to help build the better railroads which are necessary to meet your needs in transportation.

At the same time, they have stepped up their programs of research. Ten years ago, the Association of American Railroads had no research laboratory. Today, the AAR's railroad research center on the campus of the Illinois Institute of Technology here in Chicago includes three modern and well-equipped buildings, all completely devoted to railroad research. Steps are under way looking to the exercise of the Association's option on a site for still a fourth—and doubtless there will be yet other buildings with their scientific apparatus for the conduct of still more penetrating studies and research of an ever-broadening range. This advancement in railroad research is not going unnoticed. Just six days from now, in Philadelphia, our Association is to be honored by the receipt of the Franklin Institute's much coveted Henderson Medal, as the citation says, "In recognition of the many achievements of the Mechanical and Engineering Divisions in the many fields of railway engineering." The citation goes on to say that the research efforts of the AAR have resulted in more dependable equipment and tremendous savings in the operation of railroads, all of which are reflected in greater safety and reduced transportation charges for the American public.

That there will be great changes in the physical plant and equipment of railroads as a result of broader research is a certainty. Even though there may be no single change yet on the horizon so dramatic as the diesel revolution in motive power, there will be a host of less conspicuous developments in plant and equipment which, in total, will have a profound effect upon the art and practice of railroading.

Equally important changes are in prospect in the methods of performing transportation service, if the railroads are relieved of some of the limitations which now make it difficult to offer to the public a complete service by using the various means of carriage best suited to each portion of the movement.

And it may be anticipated also that rate-making rules will be so relaxed in the future as to make it possible for each form of transportation to give the public the full benefit of its inherent advantages, whatever they may be in any particular instance.

In most cases, the advantage of the railroads is in cost, as is indicated by the fact that they haul a ton of freight one mile for an average revenue of less than 1½ cents as compared with an average ton-mile revenue of 6 cents for haulage by common carrier motor trucks reporting to the Interstate Commerce Commission. This four-to-one difference in average revenue does not mean, of course, that rail rates are that much less than truck rates on the average, but it does give some indication of the difference in the level of costs of moving goods in trains of cars on tracks and moving them in separate unit vehicles, each with its own driver.

Next Ten Years

I am confident that the next ten years will see, either through administrative determination or legislative clarification, elasticity in the making of rates, provided always that no rate shall be put in which is noncompensatory, or which discriminates against or prefers any shipper, any commodity, any community or any region.

In the next 10 years, I believe that we shall see better through-scheduling of freight service, with less time spent in intermediate yards and with necessary classifications performed, for the most part, in major electronic classification yards.

I believe also that we shall see an improved freight car supply—improved not only in total number of cars but in average quality and in greater adaptability to special purpose shipments. Two years ago, in 1955, addressing this association at Pittsburgh, during a severe car shortage, I suggested that to overcome the then-deficit in freight car ownership would require installation of an average of at least 75,000 new cars in each of the next five years. I am glad to be able to report that in the first two years of that period this goal of 75,000 cars per year will be achieved, resulting in a net increase of 50,000 in total ownership of cars, over and above retirements. If—and this is a big if—if the railroads are able to find the money to continue to order and build cars on this scale—75,000 new ones each year — as well as to keep on making the improvements in roadway and structures which are so essential to getting the fullest use out of the freight car fleet—most of you will live to see elimination of the car shortages which have plagued us—and you—in times of brisk business ever since the end of World War II. But everything depends on earnings. And so I come back to this vital question. Ten years ago, I said that, "The triple keys to the future of railroads as a business are earnings, investment, improvement. And the first of these is earnings — for without earnings, or the prospect of earnings, investment languishes. Without continued investment there can be no great improvement in capacity or service. And so we come to the very heart of the future of railroads as a business — the improvement of earnings." That's what I said 10 years ago, and I see no occasion to change a word of it today.

At that time, in 1947, the railroads employed 1,350,000 men, who worked an average of 2,672 hours for a total of $4,350 million in wages. Ten years later, in 1956, the railroads hauled substantially the same volume of freight traffic with only 1,042,000 men, a reduction of over 22%. These men worked an average of 2,365 hours each, a reduction of 11.5%. But the total payroll had gone up to $5,325 million, an increase of 22.5%. And along with this increase in payroll had gone comparable increases in the prices of materials and supplies—the next largest item in the cost of operating a railroad.

But, fortunately for the railroads and the shippers alike, the same 10 years which saw these increases in the major items of railway operating costs, saw the investment of nearly $1,200 million a year in improvement projects which have paid off handsomely in better service and reduced costs. Indeed, I doubt very much that the railroads could have withstood the lapping tides of inflation without the improved facilities which this capital investment provided.

This rate of investment must be continued and—if the money can be found—should be stepped up, both on account of the increasing needs of the railroads and the effect of inflation upon the cost of making improvements.

The Outlook Two Years Ago

Two years ago, at Pittsburgh, I undertook to discuss the prospects for financing such a continuing program. Depreciation and retirement charges won't do half the job since we are replacing cars which cost $2,500 each, and have been depreciated on that basis, with cars which cost $8,500 apiece. Two years ago, some funds could be realized from an increase in the amount of equipment obligations outstanding. Some can still be raised that way, but it is becoming increasingly difficult and increasingly expensive. Two years ago a modest part of the sums required could still be procured by increased withdrawals from working capital. Not any more. Working capital is now down to where it must be conserved in the cases of all but a few of the most prosperous railroads. With everything counted, more than one-third of the amount needed to finance continued improvements, even at the level of the past 10 years, will have to be squeezed out of the net income of the railroads.

This net income, in turn, comes out of what is left from the total return on capital after the payment of necessary fixed charges. In no one of the past 10 years, in which for the most part good times have prevailed in the country, has the return on net investment in railroads reached 4½%; in five years it has been below 4%; in one year it dropped under 3%.

By prudent financial management the railroads have succeeded in reducing their fixed charges by more than $50 million a year in 1956, as compared with 1947, but even with this substantial assist, they face grave problems in financing the improvements in plant and equipment which must be made.

But lest I sound pessimistic (which I am not) let me ask a question: When have the railroads **not** faced problems?

Problems Are Perennial

I recall coming home one evening, after a particularly tough day and remarking to one of my daughters, who with her husband and three of her children, was visiting us, that the railroads had critical problems facing them. Whereupon, my daughter smiled and said, "Daddy, my earliest recollections as a little girl are of you coming home from the office and saying that the railroads face a time of crisis—and you've been saying it ever since."

And in truth, problems are nothing new in the life of American railroads. The railroads were born of the problem of finding some way to provide cheap and dependable all-year transportation for the interior of this vast and richly productive continent, whose resources then lay fallow for lack of such outlets.

The men who built these railroads were men of faith and vision, of resourcefulness and determination. And they had need of all these qualities of strength to carry out the tasks they had set for themselves of pushing out those thin lines, first of iron and then of steel, which made possible the free flow and interchange of products upon which the economy of this great nation is built.

With the coming of other forms of transportation, there is a disposition on the part of the uninformed to feel that the day of the railroads may be drawing to a close. Nothing could be farther from the truth—as you can see by looking, with a discerning eye, at the next freight train you see going by. A freight train is such a familiar sight that most of us are likely to fail to see what a remarkable vehicle it really is—a vehicle made up of as many as a hundred, or more separate units, loaded at different origins, consigned to different destinations, all assembled for mass movement with maximum economy in the use of manpower, in the consumption of fuel, and in money cost.

The average freight train—counting way freights and movements which are, in effect, traveling switch engines, as well as the mile-long through freights — the average freight train carries 1,400 tons of lading. To move the same tonnage by motor vehicle, at average loadings, would require 140 trucks and at least that many drivers — as against the freight train crew, usually, of five men.

Problems and Rails Are Basic

There are transportation tasks in which other collateral and incidental factors cause the motor truck to be preferred, but when it comes to the basic elements of cost in moving the vast bulk of America's commerce there is nothing in existence, and nothing in sight, which can take the place of the train of cars on tracks.

There is, of course, room for improvement in the services rendered by these trains. There are engineering problems to be solved in the design of equipment which will be better adapted to shipper needs without at the same time becoming so narrowly specialized as to increase unduly the return movement of those same cars empty.

There are operating problems to be solved, in order that we may get the most and the best service out of the improved equipment which the designers have in store for us.

There are rate problems, looking toward a more realistic adjustment of rates to the requirements of commerce as well as the cost characteristics and the revenue necessities of the carriers.

But underlying all these problems—if the railroads are to go ahead and continue to meet the needs of the nation as they should — is the problem of the substandard earnings which handicap the railroads in their endeavors to move ahead and to continue to meet the needs of the nation.

The problem is one of costs swollen by inflation and not fully covered by rate increases. It is a problem of rate adjustments disturbed by the necessity for seeking general horizontal increases if the railroads were to remain solvent. It is a problem of rate rigidity, due to the complications and difficulties in making prompt adjustments to meet changing situations.

It is a problem of taxation—a problem which is not exclusive to the railroads, by any means, but one to which they are peculiarly susceptible by reason of the fact that they own and maintain their basic transportation facilities and not merely the vehicles which operate over them.

And it is a problem of competition, some of which is directly subsidized and most of which has the use, either free or at noncompensatory charges, of expensive facilities provided and maintained by the public treasury.

Shippers' Relationship

The solutions to the problems which I have touched upon will depend upon the resourcefulness and the determination of the railroad men who, now and in the future, must face them in the first instance. But in the solutions shippers, too, will have a part. They can tell us wherein we succeed in meeting your needs, and wherein we fail. They can suggest to us—as so often done in the past—how we may improve our ways of doing business, to make our services more attractive to the users.

For they are, in a very real sense, our partners in the efficient production of the transportation service for which you are our customers. Such a relationship is, so far as I know, unique in the business world. It is a relationship which has prevailed for more than a third of a century, counting from the beginnings of the Advisory Board movement. It has prevailed through boom and depression, through car surplus and car shortage, in peace and in the greatest war the world has ever seen. It is a relationship which has proved its workability and its helpfulness—and one for which we of the railroads are profoundly grateful.

To my successor, Dan Loomis, I predict that during his years of wrestling with car supply and car service problems, he will have no more understanding friends than you men of the Shippers Advisory Boards.

*An address by Mr. Faricy, who is completing his tenth and last year with the Association, before the National Association of Shippers Advisory Boards and the Traffic Club of Chicago, Oct. 10, 1957.

Morgan Stanley Group Underwrites Standard Oil Co. (N.J.) Offer

Standard Oil Co. (New Jersey) is offering to the holders of its capital stock the right to subscribe at $44 per share for 6,549,124 additional shares at the rate of one share for each 30 shares held of record on Nov. 8, 1957. The subscription offer will expire at 3:30 p.m. (EST) on Dec. 18, 1957. The mailing of the warrants to the more than 422,000 shareholders will be completed by Nov. 18.

A nationwide underwriting group headed by Morgan Stanley & Co. composed of 311 investment firms will underwrite the offering and purchase from the company any unsubscribed shares.

The sale of the additional shares involving more than $288,000,000 represents the second largest industrial common stock offering to stockholders ever made in the United States.

The latest previous financing undertaken by Standard Oil (N.J.) by public sale of securities was in 1949 when the international oil firm raised $150,000,0000 through an offering of 25-year 2¾% debentures due July 15, 1974.

Net proceeds from the current offering of additional shares will replenish the company's working capital and will be available for investment in subsidiary and affiliated companies primarily in connection with their capital expenditure programs.

The worldwide growth of the company and its subsidiaries since the end of World War II, in common with the petroleum industry in general, has required large expenditures to develop producing capacity and to provide transportation, refining and marketing facilities. In addition, expanded sales volumes have substantially increased the amount of working capital required.

In the five years ended Dec. 31, 1956, gross additions to the plant facilities of the company's subsidiaries totaled $3,330,000,000 and also within this period there was spent in the search for oil and gas sums not capitalized amounting to $844,000,000. The total of these outlays, $4,174,000,000, exceeded amounts changed to income for depreciation and exploration during the period by $1,743,000,000. Outlays for facilities and expenditures in the search for oil will be about $1,400,000,000 in the full year 1957 and are expected to be of the same order in 1958.

For the nine months ended Sept. 30, 1957, Jersey Standard's estimated total revenues from sales, dividends and interest amounted to $6,041,000,000, a record figure for any similar period, compared with $5,375,000,000 in the corresponding period of 1956. Estimated profits for the nine months were at a peak $660,000,000, equal to $3.35 per share, compared with $603,000,000 or $3.07 per share last year, although profits for the third quarter of 1957 were somewhat lower than for the comparable period in 1956.

Dividends on the stock were 55 cents per share in each of the first three quarters. A fourth quarter dividend of 60 cents was declared on Oct. 31, payable to stockholders of record Nov. 8. This dividend, which will not be paid on the new stock, brings the total for 1957 to $2.25, compared with $2.10 in 1956.

Net crude oil production, including condensates, worldwide, was estimated at 2,172,000 barrels daily in the first nine months, compared with 2,056,000 barrels-a-day for the full year 1956. Crude oil runs to refineries averaged 2,464,000 barrels-a-day for the first nine months of 1957, compared with 2,449,000 for the full year 1956.

Operations of the company's subsidiaries, as well as those companies in which it has substantial investments, are widely distributed geographically throughout the world. Sixty-nine per cent of consolidated net book assets at Dec. 31, 1956, was in the United States and Canada; 18% in Latin America and 13% in Europe, North Africa and the Middle and Far East and other areas in the Eastern Hemisphere. Of consolidated net income for 1956 amounting to $803,535,000, 33% was derived from operations in the United States and Canada, 45% from Latin America and 22% from the Eastern Hemisphere.

Lamborn Honors 25-Yr. Employees

Lamborn & Company, Inc., sugar brokers with headquarters at 99 Wall Street, New York City, honored eleven members of their organization who have this year completed twenty-five years of service with the Company, at a dinner-dance held Nov. 11.

Those honored were E. Arthur Grote, Edward H. Lopez-Miranda, Bert J. Novotny, Samuel Schoenfeld, August F. Schwenker, and Walter A. Wheatley, of the New York office; Donald D. Cole, of the New Orleans office; James F. Graves, of the Detroit office; Louis J. Jacques, of the Chicago office; Samuel R. Kweskin, of the Saginaw office; and Emma B. Wernicke, of the Savannah office.

At the dinner, each of these members of the Lamborn organization was presented with a large silver bowl and will become members of the Lamborn Silver Lamb Club.

With Mitchum, Jones

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Barbara H. Hunt has joined the staff of Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

With Smith, La Hue

(Special to The Financial Chronicle)

ST. PAUL, Minn. — Richard F. McKown is now with Smith, La Hue & Co., Pioneer Building.

Two With M. J. Ross

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Stanley J. Gould and Sam Nathanson have become connected with M. J. Ross & Co., 6505 Wilshire Boulevard. Mr. Gould was previously with Shelley, Roberts & Co.

With Jensen & Stromer

(Special to The Financial Chronicle)

MARYSVILLE, Calif.—Charles W. Richards has been added to the staff of Jensen & Stromer, 426 East Fifth Street.

With Armstrong, Jones

(Special to The Financial Chronicle)

DETROIT, Mich.—John E. Saari has become affiliated with Armstrong, Jones, Lawson & Shite, Incorporated, Penobscot Building.

Consumer Finance Company Capital and Term Financing

By WALLACE M. DAVIS*
President, Hibernia National Bank, New Orleans, La.
Vice-President, Association of Reserve City Bankers
President, New Orleans Chamber of Commerce

New Orleans banker vigorously defends, and suggests all lenders cooperate with, Federal Reserve Board's anti-inflation steps, and examines finance companies' problem of securing funds to meet the demand for personal loans. Mr. Davis states the future outlook is for even greater needs by loan companies for capital or long-term funds. Declares a finance company perpetual line of credit has no place in a bank. Explains what even small-medium companies can do to obtain long-term borrowing, and the advantages of financing through the debenture route.

Most of our problems these days are common to businesses of all kinds, and to people in all walks of life—rising prices and the rising cost of living, so-called "tight" money and increased costs of borrowed money. In a very striking way, our country has enjoyed a fabulous period of prosperity, it has experienced relative peace, and we are committed to full employment. Without belaboring the point or attempting to elaborate on it, there are signs of restlessness, cross currents of complaint and misfortune — a feeling that prosperity isn't quite as pleasant and secure as it should be and doubt, even grave concern, over the future, particularly on the short-term outlook.

Most of our economists, business consultants and leaders have high hopes in the long look ahead, and predict even higher living standards and healthier business climates than we have known. Those of us who are lenders of money can go along with those enthusiastic prognostications, and probably supply some of our own. At the same time, we should know better than most people that in our national exuberance there are some forces which if left unchecked or if disregarded can destroy all of us, from what seems to be such a dynamic position, we would have what Mr. Humphrey described as a condition which "would curl our hair."

Debt Has Two Sides

We should know, better than others, that debt, or credit, if we look at it from our seats, is on one hand the most useful instrument for good, and, at the same time, a most dangerous instrument if improperly used. This country would never, could never, have achieved its predominance in production and world trade had it not been for the highly developed distribution and credit systems which we enjoy. The kings of ancient, medieval or modern times, with wealth and servants beyond description, could not claim the comforts and conveniences of the man-on-the street in the United States. Mr. Ordinary Citizen can own his own home, which he pays for like rent; his meat, vegetables and fruit come from the deep freeze—he bathes under a patented shower, is kept warm or cool by year round air conditioning; he propels his own boat to his favorite fishing place by an outboard motor or entertains himself and his family and friends with the best in entertainment in the living room; he moves himself and his family rapidly and comfortably by the automobile and sleeps under the warmth of an electric blanket. His financial statement is of no consequence, and he only receives a nominal salary, but through our credit system, he lives better than the Kings! Granting that, however, there are many astute foreigners who view with grave concern the debt structure of our country and its citizens, and many within our own borders know only too well that debt itself can be destructive and we are greatly concerned about it.

I would like to deal with two phases of the general subject in this order:

(1). The supply of money generally

(2). Our source of working funds specifically.

Reaction to Money Volume

Our total money supply is closely regulated by our central banking system. The regulation of it is being accepted under-standingly by some, begrudgingly by some, and with violent reactions by others. It is unfortunate that so little is known about money, how it is created and what curious tricks it can play in our lives. But it is more unfortunate that even many who should know deride the regulations or controls of our monetary authorities, and through their attacks on the Federal Reserve and their own unsolicited opinions, mislead and confuse others.

Our Federal Reserve System is very conscientiously trying to help everyone, for certainly everyone will eventually suffer if inflation is not controlled — the fact that other segments of our economy do not exercise the same restraints is a matter for their consciences, to be sure.

Obscured by other, more dramatic headlines, were the cost of living figures released the latter part of September. Those figures should give us all pause and should bring more supporters behind a strong and determined effort to stabilize the cost of living. The Federal Reserve in effect and in its considered judgment is saying several things to us: (1) the gap between savings and investment is too great, the country must slow down its rate of investment or increase its rate of savings; (2) that gap must not be filled by increasing debt, or to put it another way, debt should be limited to those things which will in turn result in savings or added productivity; (3) creeping inflation is neither necessary nor desirable; (4) the democratic way for the financial segment to operate is with selectiveness and restraint. For one, I prefer to operate under the present quantitative controls and these implied admonitions.

The present situation with its alarming rise in the cost of living should make all lenders of money more interested in helping people curtail debts and increase savings than in encouraging them to borrow.

There is no time, in my firm opinion, to do business or meet competition by easing terms; to the contrary, it is a good time to practice moderation, be willing to make adjustments and temporarily compromise some hopes and plans. In that I am not advocating a liquidation program, nor do I believe in shrinking from competition, but I see no reason for meeting tougher competition by giving easier credit. When people get to the point of ignoring over-all obligations and think only in terms of "how much a month", and that becomes so prevalent as to be in the joke books, then it is time to slow down and think!

I want to summarize what I have been saying in this way: the Federal Reserve is doing its utmost to bring about the stabilization of prices. Bankers work in an area where they have the opportunity to aid in that objective. Failure to do our part and the failure of other segments of our economy to do likewise will bring misery instead of bounty, will severely tax our capacity to provide adequate capital for our respective enterprises, and will impose unjustifiable costs in our operations; we must not make suckers out of savers—and most of us are savers, through our life insurance, pensions and annuities.

Working Funds

On my second point: while no one can accurately predict the capital needs of the consumer finance business, the small operator will assume that the requirements for capital or long term funds with which to work will continue high and gradually increase. That will be true even if the threat of inflation is brought under control. Studies of the trends in population and its composition will support such a conviction. If a reduction in personal income taxes takes place in 1958, we may assume that the increased take-home pay will be reflected in consumer debt. The estimate of $1.60 of new debt for each added dollar available for debt service is not an exaggeration.

It is unfortunate that we don't possess 20/20 foresight—had more finance companies foreseen a period of "tight" money and higher rates, they would have raised more capital in the equity markets or would have arranged for more debenture financing in anticipation of the present situation and the reasonable outlook. Some companies did do that and now point with great comfort and satisfaction to their very comfortable balance sheet positions and their average low cost of funds.

For those who didn't do this, or who must still look for ways of providing funds, it is not too late to make plans.

Finance Companies' Record

I should have no hesitancy in talking with you about bank lines of credit and yet I do, for fear of being misunderstood. You must not misconstrue what I am about to say, for no one has more respect for many of you than I, and your industry is a very essential part of our credit system—I have already indicated that. At the same time, I can look back to World War I when the finance company account and line was accepted with many reservations by most banks, yet with fine cooperation and intelligent assistance on the part of certain large banks and commercial paper dealers, standards of borrowing and reporting were devised and credit lines became more readily available. Through the early 30's, the finance companies gave a splendid account of themselves, and with only minor and unusual exceptions, have done so to this day.

Following the banking holiday and in the period of great expansion of our money supply, finance company lines were easily arranged; now the situation has changed and lines are not easily available. Does this mean that when money is "easy" you folks are to be comfortable, and when money is in greater demand, you are to be restricted, regardless of your soundness or net worth position or legitimate demands for credit. I think it does. Isn't it possible that in the next year, or two, or three, that the situation will change, and that short term money will be more readily available to you? Yes, that is possible, but I think highly improbable. I was invited to say what I think—and that is what I think.

Make the Banker Interested

I might be wrong, but if you are hemmed in with inadequate funds to do the sort of job for which you have the capacity, the facilities and the demand, then you cannot afford to take a chance on my being right! I want to let you in on a secret concerning lenders, if by chance you don't already know. A hungry lender is a friendlier lender—make him want your business and give him reasons for wanting it. Seriously, a finance company line of credit which is in use perpetually has no place in the bank; one in use ten months is less desirable than one which is in use six months—that statement was true in times when money was plentiful and loans in demand, and even truer today. No type of borrower has been more welcome or is in better grace today than the finance company. On the other hand, no other type of borrower has depended as substantially on short term bank credit as the finance company—and to those who are in need of additional credit now, that fact has arisen to haunt them.

I have probably belabored this phase of the subject unnecessarily, but if I have, it is to lead into or point up a belief that long term borrowing should become a more important part of the average company's program. The very characteristics of your employment of funds, the utter dependency of so many on bank lines would seem to support this sort of thinking.

Raising the Capital

What sort of policy should be adopted and where can money to work with be found? With the equity market limited to the very few and competition for investment dollars so keen, the sale of additional capital today is extremely difficult, if not impossible. Furthermore, many companies are owned by families or groups who are reluctant to sell stock—not wanting to share ownership or dilute their capital interests. The more popular and possible source of funds has been in the issuance and placement of debentures — term obligations which are accompanied by protective convenants for the purchaser through related agreements. These debentures are to be found in several forms: long-term subordinated notes; junior subordinated notes and so-called senior long term obligations. Of these, the first two have the aspects of capital inasmuch as their claim on the assets of the issuing company is limited by the related agreement or indenture. The first, the long term subordinated note is usually subordinate to debits in the current classification and the second, the junior subordinated note, subordinate to the long term subordinated note in addition to debts in the current classification. The long term obligations are, as the description implies, long in term, but in default they share on an equal footing with current creditors.

It is logical that bank and security analysts should treat the subordinated debt practically as they would a preferred stock—or at least as a part of the "capital" picture, thus broadening the borrowing base. The senior debt, however, must be included at its face in the net worth to debit ratio, regardless of maturity. Its great value is, of course, in the maturity feature, for assuming earnings are sufficient to meet serial payments, the money derived from such obligations only anticipates the building of the company's own capital funds. The choice in the use, therefore, is determined more by need of a capital base and working funds or simply more funds with which to work.

Purchases of Debentures

Purchasers of these debentures have largely been insurance companies, benevolent associations, educational funds, and pension trusts, and interest rates, considering the time of sale, vary slightly from bank rates, plus the value of reciprocal deposits. The funds of such purchasers are seeking longer term employment and by their use to the proper degree, the finance company obtains longer term funds, fortifying at the same time its bank lines!

The amount to which debenture financing can or should be employed will be governed by the earnings record, for the lender of term money will look to the borrower's ability to repay serial installments and interest with a safe margin, but balance sheet proportions will govern the prospects and amount of such financing with equal weight.

Small Finance Companies

Large consumer finance companies have had no serious problems in obtaining funds through the sale of debentures, either in the open market or in private placement with large insurance companies—they have had to pay the going rate and agree to non-callable features, but these borrowers occupy a unique position because of their size and diversity. In time, they can resort to the national markets for equity capital to further increase their borrowing base if needed. Not so with the medium and small companies, 'though a great number of these have obtained funds at relatively little placement cost and at reasonable rates, particularly by the employment of a broker, who, for a fee, will seek out a lender and handle the negotiations for the borrower. If there are company managements who are at all puzzled over the manner in which such money can be secured, from whom, and through whom, I am quite sure others who have been through similar negotiations will share their more detailed experiences. The type of information required to support an application, and the manner in which it is presented thoroughly justifies the employment of experienced outside help, I can assure you.

There is no easy source of funds. The lenders of term money, wherever they are, are being very selective, and there is no evidence of those wanting to buy debentures—it is a buyers' market, and I think will continue to be so for a year or more to come. There are a number of smaller insurance companies and benevolent or educational funds which can be interested in the type of investment we are talking about, however.

Advantage of Debentures

As to the income advantage of financing through the debenture route, there can be no question. Those who have used this device may have complained over the initial cost and interest rate—but when measured by increased income to the equity interest, by the added leverage furnished the common stock, the cost is not high.

If "misery loves company", you might be consoled to remember that the banking business is very much in the same position as many companies in the consumer finance field. Our source of funds to work with is deposits, which in these days are turning very rapidly with excess funds being siphoned off by the many attractions in the open market. While every resource of every bank is being devoted to maintenance of funds to work with, a saying of one of my former associates is apropos—"you have to run like the dickens to stand still."

This is a good time, however, to do more than work and "wish".

*An address by Mr. Davis before the 43rd Annual Convention of the National Consumer Finance Association, New Orleans, La., Oct. 17, 1957.

It is a good time to improve operations within the framework of what you have. Several finance people have very proudly pointed to currently greater profits with no increase in volume — despite higher cost of borrowed money. That seems to me to be a worthwhile goal. You may be sure of this: if through the period we are passing you do no more than build up a good record—even a better record on losses, liquidity and earnings, you have progressed in the direction of more money with which to work.

Economic Impact of "Mega-Opolis"

H. Eugene Dickhuth indicates economic impact of a steadily rising population in the United States, creating a "mega-opolis" stretching from Me. to Va.

"Danbury, Bethel, New Haven and hundreds of other communities will become part of a great urban and suburban territory in the northeastern part of the United States which may extend from Portland, Maine, to say Richmond, Virginia, within the foreseeable future," H. Eugene Dickhuth, Vice-President of American Trust Co., New York, and former President of the New York Financial Writers Association, stated recently.

H. Eugene Dickhuth

He spoke at the first luncheon meeting of the season held by the Danbury Chamber of Commerce at the Hotel Green in Danbury, Conn. "This is no idle dream," he added. "Dr. Jean Gottmann of Princeton University is working on just such a project with the support of one of the most powerful and most well known foundations in the country. A development of this kind is indicated by the constant spread of the population from cities into suburban areas and if the present trend continues, Mega-Opolis will become a fact.

"Mega is a Greek word familiar from megacycles of hi-fi fame. Its Latin equivalent is multi. In Hollywood, it would be called colossal. In slang it is just a 'Helluva big city'."

Population Assumption

Essentially, the future of the United States is predicated from a constantly increasing population. In the early 1960's, the postwar baby crop will become of marriageable age and thus produce great economic pressure for more new homes, more new furniture, more new automobiles, more new roads, more new schools, more new everything.

"Since this will require a good deal of money to translate into reality, it is important that all of us, you here in Danbury and in New England, we in New York and the country as a whole be prepared for such a development," Mr. Dickhuth said.

It comes at a time when not only prices are going up because of inflation but because of the constantly improving technology. "Machines which used to last 15 to 20 years, as you in New England know so well, are now obsolete in five years," he concluded. "Replacement requirements are great indeed. They cost money. Expenditures for such purposes must come out of the savings, by whatever name they are called, be it bank loans, be it stock or bond issues, be it private loans. It all revolves around money. Close cooperation between the various members of this emerging community will be required to make it work in the constantly changing economic fabric of this 20th Century."

With Daniel D. Weston

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Bernard E. Mervel is now affiliated with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard.

Lofft Adds to Staff

(Special to The Financial Chronicle)

LA JOLLA, Calif.—Homer L. Chattin has been added to the staff of Lofft & Co., 7825 Ivanhoe Avenue. He was previously with Daniel Reeves & Co.

Blyth Group Offers Caterpillar Tractor Debentures at 99½%

Blyth & Co., Inc. headed a group of investent bankers which offered publicly yesterday (Nov. 13) a new issue of $65,000,000 of Caterpillar Tractor Co. 4½% sinking fund debentures, due Nov. 1, 1977, at 99.50% and accrued interest, to yield about 4.54% to maturity.

Caterpillar Tractor will apply the net proceds to the repayment of $22,550,000 of short-term debt incurred for capital expenditures and for working capital; the balance will provide additional working capital. The company's 1957-59 capital expenditure program, of which about $37,200,000 was spent through last August, is expected to total approximately $215,000,000. In the three-year period, about $80,000,000 will come from internal sources and it is anticipated that the balance, except for funds provided by the present borrowing, will come from bank loans.

Caterpillar, with headquarters in Peoria, Ill., is a major manufacturer of earthmoving equipment and machinery. Such products account for over 90% of sales. There are presently seven plants in this country and one each in England and Australia. Two domestic plants are now under construction as is one in Scotland. Another factory is planned in Brazil.

The debentures are not redeemable prior to Nov. 1, 1967 other than for the sinking fund as a part of any refunding operation which borrows money at a rate lower than that borne by the current issue. Optional redemption prices start at 105% for debentures called in the 5-year period beginning Nov. 1, 1957 and decline thereafter until Nov. 1, 1975, after which there will be no premium over the principal amount. The sinking fund provides for annual redemption at par beginning on or before Oct. 31, 1962.

Net sales of Caterpillar Tractor in the eight months ended Aug. 31, 1957 were $483,783,000, compared with $685,000,000 for the year 1956 and $533,038,000 in 1955. Net income in the three periods was $35,217,000, $55,404,000 and $35,953,000, respectively.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Chase Manhattan Bank, New York has announced the promotions of Roger A. Lyon and Kenneth J. Sickler to Assistant Vice-Presidents in the bond department. They were formerly Assistant Treasurers.

New appointments were those of Charles L. Vohringer to Assistant Treasurer in the loan review department and Paul A. Volcker, Jr. to financial economist in the economic research and publications department.

* * *

Guaranty Quarter Century Club, honorary organization of staff members of **Guaranty Trust Company of New York** who have served the Bank for 25 years or more, held its annual dinner reunion Nov. 8 with 840 attending. William J. Sartor, presided and was succeeded as President by Louis R. Ince. William E. Bensel spoke for the 19 new members inducted in the club during 1957. The club's present roster includes 1,477 active and retired members of the staff in New York and abroad. Overseas chapters are maintained in London, Paris and Brussels.

* * *

Chemical Corn Exchange Bank, New York announced that it is planning a new office building to adjoin the present Chase Manhattan bank headquarters building on Pine Street.

Chemical Corn takes over the present Chase head-office building when Chase moves into its new 60-story building and plaza now under construction.

The proposed Chemical Corn structure would range in height from 16 to 21 stories.

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Trustees of the **United States Trust Company of New York** on Nov. 7 elected Hoyt Ammidon, President, effective Jan. 1. Mr. Ammidon will succeed Benjamin Strong, who was elected Chairman and who will continue as chief executive officer. Mr. Ammidon also was re-elected to the Board of Trustees. He had been a member of the board.

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John F. Lawlor, Assistant Vice-President of **Irving Trust Company, New York** assigned to the Woolworth Building branch died Oct. 29 at the age of 64.

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The annual dinner of the Quarter Century Club of **The New York Trust Company, New York** was held last night in the Grand Ballroom of the Plaza Hotel.

Two hundred and fifty officer and non-officer members of the staff of the Trust Company attended the dinner. The new officers elected for 1958 were—Elmer P. Beislie, President, Joseph A. Deck, Vice-President, Sophie Shopmann, Secretary-Treasurer.

Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President of The New York Trust Company addressed the members briefly.

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William Zeckendorf, Jr. and Robert G. Calder, Jr. have been elected to the Board of **Colonial Trust Company, New York City.**

At the same time, Charles F. Bailey has been appointed Treasurer of Colonial Trust, William C. MacMillen, Jr., President of Colonial and of Chesapeake Industries, Inc., Colonial's parent, announced on Nov. 7.

Mr. Bailey, who is a Vice-President of Colonial, has been with the Bank since 1941. Earlier, he was Colonial's auditor and comptroller. Before coming with Colonial, he was with the **Mount Pleasant Bank & Trust Co., Mount Pleasant, N. Y.**

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The Lynbrook National Bank & Trust Co., Lynbrook, N. Y. celebrated its 50th Anniversary, on Nov. 7.

A 20-page anniversary pamphlet has a cover that is a replica in size and appearance of the original passbooks used by the Bank when it opened in 1907 and contains historical data about the organization of the Bank and history of Lynbrook.

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John Burling of **The County Trust Company in White Plains, New York,** announced on Nov. 12 plans to retire as Assistant Chairman of the Bank on Dec. 31. He will continue as a Director and member of the executive committee.

Formerly President of **The Citizens Bank in White Plains, N. Y.** Mr. Burling became Assistant Chairman of The County Trust Company when the two organizations merged in 1950. In August of this year he marked 50 years in banking.

* * *

The Schenectady Trust Company, Schenectady, N. Y. was given approval by the New York State Banking Department to increase the number of shares of authorized Capital Stock from 80,000 to 100,000 shares, and for a reduction of the par value of the shares from $25 to $20 per share.

* * *

Merger certificate was issued by the Comptroller of the Currency approving and making effective, as of the close of business Oct. 25, the merger of **The Seneca County Trust Company of Seneca Falls, N. Y.,** with common stock of $100,000, into **Lincoln National Bank and Trust Company of Syracuse, New York** with common stock of $1,895,000. The merger was effected under the charter and title of "Lincoln National Bank and Trust Company of Syracuse."

At the effective date of the merger the receiving association will have capital stock of $1,895,000, divided into 189,500 shares of common stock of the par value of $10 each, surplus of $3,470,000, and undivided profits of not less than $1,111,895.

* * *

The Farmers National Bank and Trust Company of Rome, Rome, N. Y. with common stock of $350,000; and **The First National Bank of Remsen, Remsen, N. Y.,** with common stock of $50,000 merged. As of the close of business Oct. 31, consolidation was effected under the charter and title of "The Farmers National Bank and Trust Company of Rome."

At the effective date of consolidation the consolidated bank will have capital stock of $412,500, divided into 16,500 shares of common stock of the par value of $25 each; surplus of $775,000; and undivided profits of not less than $137,500.

* * *

Stockholders at a special meeting Dec. 2 will be asked to approve a merger proposal of the **Manufacturers-Central National Bank, Lynn, Mass.,** into the **Essex Trust Co.**

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The Board of Directors of the **Stamford Trust Co., Stamford, Conn., First National Bank in Greenwich, Conn.** and **National Bank of Norwalk, Norwalk, Conn.** have approved a merger, under the title of **Fairfield County Trust Co.** The merger is subject to approval of stockholders and state banking authorities.

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William C. Boyer, Director of the **Boardwalk National Bank, Atlantic City, N. J.** died Oct. 30. He was Executive Vice-President before his retirement.

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The Fidelity-Philadelphia Trust Co., Philadelphia, Pa. elected Arthur J. Edwards and Maurice W. Hodgson, Vice-Presidents.

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The Fidelity Union Trust Company, Newark, N. J. announced on Nov. 9 the purchase of the new building, now under construction by the Prudential Insurance Company on the southwest corner of Broad and Bank Streets, which will be its future Main Office headquarters.

Horace K. Corbin, Chairman of the Board, and Roy F. Duke, President, disclosed that the bank is buying the land and building under a contract with the Prudential Insurance Company, which is erecting the structure.

In moving to the new building the Bank will be returning to a site which from 1901 to 1920 was occupied by the **Fidelity Trust Company,** one of the banks merged to form the present Fidelity Union Trust Company.

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Mr. J. W. Alberts was elected a Vice-President and Norman W. Cotter and Thomas B. Smithyman were elected Assistant Treasurers of the **Potter Bank & Trust Co., Pittsburgh, Pa.**

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Girard Trust Corn Exchange Bank, Philadelphia, Pa. has designated L. Warren Elwell, Vice-President, as head of the Out-of-Town Division of the Banking Department, it was announced by Geoffrey S. Smith, President.

In announcing Elwell's appointment, Smith said that Robert R. Williams, Jr., Vice-President, who has been in charge of the Out-of-Town Division, is resigning from the Girard Corn Exchange at the end of the year to join a bank up-state.

The Out-of-Town Division is part of Girard Corn's specialized Business Development Department organized last year under the leadership of George H. Brown, Jr., Executive Vice-President, and Earl H. Cunerd, Vice-President. The department also includes three Philadelphia Divisions: Central and West, headed by Raymond J. Euler, Vice-President; South and Northeast, headed by C. Robert Haines, Vice-President; and Northwest, headed by M. H. Callender, Vice-President. Within each of these city territories, the Vice-President in charge directs a staff which is responsible for loan administration, customer service and new business development in the wholesale and retail banking fields.

Mr. Elwell joined the Girard organization in 1951 as Assistant Treasurer, was promoted to Assistant Vice-President in 1954 and to Vice-President in 1957.

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Directors of both banks approved a merger of the **Randallstown Bank,** into the **Maryland Trust Co., Baltimore, Md.** If approved by stockholders the merger will become effective Dec. 2.

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By a sale of new stock, the common capital stock of **The First National Bank of Wadsworth, Ohio** was increased from $200,000 to $300,000 effective Oct. 28, (Number of shares outstanding—30,000 shares, par value $10).

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First Union Bank and Trust Company, Winamac, Indiana, and **The Medaryville State Bank, Medaryville, Indiana,** merged under charter and title of First Union Bank and Trust Company.

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The Continental Illinois Bank & Trust Co., Chicago, Ill. elected Frank W. Jenks a Director to serve in place of Peter V. Moulder. Richard C. Rastetter and Robert A. Sharpe were named Vice-Presidents and Henry K. Gardner, Wallace W. Wilson, Norman W. Reed and George S. Clough were advanced to Second Vice-Presidents.

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The First National Bank of Elgin, Elgin, Ill. is celebrating its new building and Centennial by having open house on Nov. 19, 20 and 21.

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The First National Bank of Chippewa Falls, Wis. increased its common capital stock from $150,000 to $250,000 by a stock dividend and from $250,000 to $300,000 by the sale of new stock effective Oct. 30. (Number of shares outstanding—6,000 shares, par value $50).

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By a stock dividend the **Louisiana National Bank of Baton Rouge, Louisiana** increased its common capital stock from $600,000 to $1,200,000 effective Oct. 30. (Number of shares outstanding—120,000 shares, par value $10).

* * *

The Bank of California, San Francisco, California has awarded the construction contract for its new Palo Alto office in Town and Country Village. Work on the bank's new office will begin immediately with completion scheduled for Jan. 1, 1958.

The Bank of California has total resources in excess of $562,000,000, and has direct offices in California, Oregon and Washington. The Palo Alto location will become its 17th office.

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Lynn T. Hannahs, Jr., Vice-President in charge of the Out-of-Town Division at **California Bank, Los Angeles, Calif.** passed away Nov. 1, following a brief illness. He was 44 years old.

Mr. Hannahs was the son of Lynn T. Hannahs, Sr., Chairman of the Board of Directors, **Brown National Bank of Kenosha, Wis.,** and Director of the **First National Bank, Kenosha.**

Mr. Hannahs began his career in banking in 1938 with the **Commercial National Bank and Trust Company of New York** and held the position of Assistant Vice-President.

From 1948 to 1955 Mr. Hannahs was associated with the **Continental Illinois National Bank, Chicago, Ill.** as a Vice-President. He joined the staff of California Bank, Los Angeles, as Vice-President in charge of the Out-of-Town Division in March, 1955.

* * *

The banking authorities approved a merger between the **Citizens National Trust and Savings Bank of Riverside, Calif.** the **Security Trust & Savings Bank, San Diego, Calif.** and the **Security-First National Bank of Los Angeles, Calif.** They opened Nov. 5 under the title of the **Security-First National Bank.** With the merger, Mr. Elden Smith and Mr. Philip Boyd of Riverside and Mr. Allen Sutherland and Mr. Fred Rohr of San Diego have been named to prominent places in the management.

The former shareholders of the Citizens National of Riverside received 621,000 shares of Security-First stock, or two shares for each share of Citizens, Security Trust holders received 477,000 shares on the basis of nine-tenths of a share for each share held.

The exchange brought to 5,880,000 the number of shares of Security-First National Bank of Los Angeles outstanding. A previous article about the merger appeared in the "Chronicle" of Oct. 3, page 17 and Nov. 7, page 19.

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The Bank of Montreal, Montreal, Canada celebrated its 140th anniversary Nov. 3. The Bank has 721 offices, staff of 12,000, and assets of more than $2,700,000,000.

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Kai Ming Soong was elected Vice-President of the **American Security Bank, Honolulu, Hawaii.**

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The Bishop Trust Co., Ltd. Honolulu, Hawaii elected Clair J. Devault Vice-President for all realty departments.

Gerald M. Loeb to Address Sales Execs.

Gerald M. Loeb, partner in E. F. Hutton & Company, will address the luncheon meeting of the New York Sales Executives Club on Nov. 14. Mr. Loeb will speak on the sales psychology employed by stock brokerage firms.

G. M. Loeb

N. Y. Bond Club To Hear Lou Little

Lou Little, former football coach at Columbia University, will be the guest-speaker at a luncheon of The Bond Club of New York to be held on Tuesday, Nov. 19 at The Bankers Club, Sumner B. Emerson, Bond Club president, announced.

Mr. Little, who rounded out his 27th season of football coaching at Columbia with the end of the 1956 campaign, served for 25 years as chairman of the Coaches' Rules Committee, a post he still holds. He is a former president of the Football Coaches' Association. Mr. Little is now executive representative of Canada Dry Ginger Ale, Inc.

With Hill Brothers

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Fletcher D. Smith is now with Hill Brothers, Security Building, members of the New York and Midwest Stock Exchanges.

Joins First Securities

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — W. Frank Williamson, Jr. is with First Securities Corporation, 111 Corcoran Street.

Phila. Inv. Women Meet

PHILADELPHIA, Pa. — The regular dinner meeting of the Investment Women's Club of Philadelphia will be held on Monday, Nov. 18, 1957 at 6:15 p.m. at The Barclay, Rittenhouse Square East, Philadelphia.

The speaker for the evening will be Mr. William H. Turner who will demonstrate how "Christmas Comes to Life" with flowers.

Keenan & Clarey Add

(Special to THE FINANCIAL CHRONICLE)

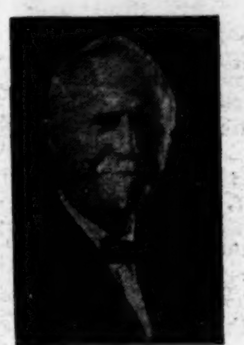
MINNEAPOLIS, Minn. — John L. L. Banks, Jr. has been added to the staff of Keenan & Clarey, Inc., Pillsbury Building. He was formerly with the Central State Bank of Duluth.

Finding Your Diamond in The Back Yard

By ROGER W. BABSON

Mr. Babson provides numerous reasons as to why the "safest good-yielding investment" may well be one's own local bank stock. Claims banks have little competition, do not suffer from inflation, and that such an investment is more helpful than ownership of stocks on the New York Stock Exchange in building up one's credit standing in the community.

A very popular book of 40 years ago was entitled "Acres of Diamonds" by Russell H. Conwell. The story was the true account of how a diamond expert had sought the entire world over for the largest diamond, and it was finally found on his father's farm.



Roger W. Babson

So many readers are today seeking the safest good - yielding investment that it is a pleasure for me to suggest that it may be in his own city. I refer to your local bank stock as an investment. Your local bank will probably show an increase of 10% in 1957 earnings, compared with 1956.

Furthermore, banks are the only investment group showing such an advance in earnings under today's competitive conditions. I know of no banks which are decreasing their dividends; while most banks are planning some increase in dividends for 1957.

Effect of National Interest Increases

The real reason for the prosperity of banks is the increase in the basic Federal Reserve rate. Since the middle of 1955, interest rates of the popular "3-to-5 year" U. S. Government issues (the world's most conservative and most active bonds) have increased 55%; while the rate on the "9-to-12 months" U. S. issues has increased 110%. Rates on prime commercial paper have increased about 90%. Yet current indices of bank stock prices are practically unchanged since mid-1955.

Local bank stocks have a poor and irregular marketability. If you wish to buy 10 shares, you will probably have to get them through the President or Cashier of the bank. He likewise must find a buyer when you desire to sell. On the other hand, the stocks of big banks like the Chase Manhattan, the First National City, and the Guaranty Trust Company of New York City are active and can readily be bought or sold at any time.

Competition and Inflation

Banks have very little competition. Their competition takes the form of getting deposits rather than the starting up of new banks. It will help your personal credit to try to get new depositors for the State or National Bank with which you are doing business. Also, try to keep a good balance yourself.

Banks do not suffer from inflation. If money becomes "cheaper," they take in money of declining value and also pay out the same kind of money. The only way that inflation harms banks is in the decline of their long issues of Government Bonds; but wise bankers will buy only short maturities.

Careful Examinations

Banks are not only audited by their own communities, but also by state or national examiners, or perhaps by both. Stockholders can at any time get a financial statement, free of cost. You, therefore, can keep a constant watch on your bank's financial condition.

Instead of bank Statements being padded, they usually contain "hidden assets." Banks may be compelled by the examiners to treat as "valueless" certain notes or collateral; but these are not destroyed and may again become valuable.

Bank Stocks Give Local Prestige

It seldom helps one's credit or social standing in the community to own stocks listed on the New York Stock Exchange, even if they are of the highest grade. It, however, does help one's credit and standing to be a stockholder in the local bank. I especially advise young people — men or women—to acquire a few shares of their local bank stock every year.

When I refer to such bank stocks, I have in mind the stock of State or National Banks. Most Savings Banks, Federal Loan Banks, and Co-operative Banks are **mutually** owned and hence have no stockholders. Let me say as a final thought: Banks are one of the few businesses which need not fear new competitors. It would be hard for any group to secure a charter for a new bank in your city or town.

With Witherspoon Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Luther C. Martin has become connected with Witherspoon & Company, Inc., 215 West Seventh Street. He was previously with Waddell & Reed, Inc.

Joins Jensen Stromer

(Special to The Financial Chronicle)

MARYSVILLE, Calif. — Leland E. Steffensen is now affiliated with Jensen & Stromer, 426 East Fifth Street.

Joins J. Logan Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—Robert R. Rockefeller has joined the staff of J. Logan & Co., 721 East Union Street.

Walston Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Marion W. Kelley has become affiliated with Walston & Co., Inc., 265 Montgomery Street.

Monetary Management's Impact Upon Commercial Banks

By E. SHERMAN ADAMS*
Deputy Manager, Department of Monetary Policy, American Bankers Association

Brief examination of U. S. monetary management by Bankers Association's top economist concludes that banks should function satisfactorily under modern monetary management and, despite public's bias in favor of low interest rates, banks' earnings will reflect an overall fair average level of rates over the years. Dr. Adams ventures the thought, however, that shakened confidence in monetary policy's effectiveness may make it a permanent partisan political issue. The Economist expects: (1) monetary policy to err on the side of excessive ease with a downturn; (2) no further credit tightening due to lack of liquidity, and (3) a lowering of reserves over the long run for future economic growth.

Monetary management in the United States is a peculiarly American concoction and its effects upon commercial banks are in some respects unique. Typically, our private and central banking institutions reflect heavy borrowings from other nations, but as is our custom, we have mixed them into a new blend, adding some ingredients of our own.


Dr. E. S. Adams

One aboriginal element is our historic propensity for spawning banks. Other nations may boast older banks, purer banks, or even stuffier banks, but no nation, surely, can claim to have been more prolific than the United States in breeding banks. Indeed, many of our individual states have closed more banks than most nations have ever opened.

To be sure, many of our 13,600 commercial banks are tiny and collectively hold only a small fraction of our banking resources. However, we have some 45 banks whose deposits exceed $500 million and over 450 banks whose deposits exceed $50 million. This largely explains the way monetary management has developed in the United States and its effects upon banking.

Objectives and Rationale of Monetary Management

Before discussing these effects, let us examine briefly U. S. monetary management at the present time. What are the Federal Reserve's objectives and how does it go about implementing them?

The main objective of monetary policy in the United States is, in general terms, the same as in most countries; namely, to help keep the economy on an even keel. One notable difference is its preoccupation with domestic conditions. In formulating their policies, the Federal Reserve authorities can virtually ignore the balance or imbalance of international payments.

This is by no means an unmixed blessing. It obviously gives the authorities more latitude than if they had a precarious balance of payments problem dangling over their heads like a sword of Damocles. On the other hand, without such a sword, it may be more difficult for them to take timely and effective action.

In the United States as elsewhere, another purpose of the central bank, though one rarely mentioned in the official literature, is to assist the Treasury in financing the public debt. Since 1951, fortunately, this no longer takes the form of a rigid pegging of interest rates for Treasury borrowing. Nevertheless, whenever the Treasury comes to the market wth its hand out, the Federal Reserve must fulfill its unwritten responsibility to see to it that the Treasury's new flotations find a home, or at least lodging for the night.

Finally, another objective of the monetary authorities, and another seldom mentioned in the literature, is their desire to safeguard the degree of independence they have now reacquired. Monetary management in the United States is still on trial and the managers wish to avoid taking actions that might jeopardize their continuing semi-independence. This helps to explain some of their attitudes and some of the things they do or do not do.

The present rationale of American monetary policy is based upon confidence in the beneficent functioning of the forces of supply and demand in a free, or at least a semi-free, market. Consequently, the emphasis is almost entirely on general quantitative controls, as against specific, qualitative controls.

Minimum Intervention

This is by no means a throwback to Adam Smith and laissez faire, though it is certainly more in that direction than in the direction of the Planned Economy. There is no questioning of the necessity for a central bank armed with ample authority to regulate the nation's money supply. The thesis is rather that best results are likely to emerge from a minimum of direct intervention in the credit markets by the central bank.

This does not mean that the Federal Reserve authorities ignore developments in particular types of credit nor that they are unwilling to intervene in specific credit areas where there is a clear case for such intervention—an illustration being their regulation of stock market credit. However, in an area like consumer credit, where the case for intervention is far less clear, they are most reluctant to intervene.

Nor does this approach reflect a naive faith in an oversimplified quantity theory of money. The emphasis, to be sure, is on regulating the quantity of money but in doing so, such factors as the velocity of deposit turnover, the uses to which credit is being put, and the lending and investment policies of banks and other financial institutions, are by no means lost sight of. In brief, qualitative factors are taken into account in deciding how to apply quantitative controls.

Let us examine briefly how these quantitative controls are applied.

How Credit Policy Is Implemented

The most important control consists of open-market operations in government securities by the Federal Reserve banks. Since all member banks are required to maintain legal reserves in the form of balances at the Federal Reserve banks equivalent to specified percentages of their deposits, the total quantity of bank credit is determined by the quantity of member bank reserves. Open market purchases of Government securities by the Federal Reserve banks expand member bank reserve balances and, conversely, open-market sales absorb reserves. For many years open-market operations have been the chief determinant of the volume of bank reserves and hence of the volume of bank credit.

Member banks can, of course, on their own initiative, increase their reserves temporarily by borrowing from the Federal Reserve. However, since continuous borrowing is frowned upon, this ability to borrow serves primarily to cushion the impact of open-market policy but without seriously impairing its effectiveness.

As a matter of fact, the volume of member bank borrowing is a sensitive indicator of the pressure of demands for credit at the member banks and is therefore useful as a guide for open-market policy. Indeed, in recent years, open-market operations have been aimed primarily at keeping the net reserve position of the banking system—i.e., total excess reserves minus total borrowed reserves—within a range considered suitable to the degree of credit restraint or ease desired at the time.

In short, the Federal Reserve authorities are primarily concerned with doling out reserves to the banking system either with a spoon or with a ladle, depending on economic conditions, or at times mopping up excessive reserves. They seek thereby to adjust the flow of money and credit to the needs of the economy.

Interest rates are not completely ignored, by any means, but they are not relied upon to have much effect either on savings or on demands for credit. Generally speaking, changes in interest rates are regarded as being simply the inevitable result—and at times even as the rather regrettable result—of an imbalance between a largely uncontrollable demand and a partially controllable supply of lendable funds. The discount rate is occasionally used to accelerate or to retard the movement of interest rates but is not regarded as being anywhere near as important as open-market policy. More often than not, changes in the discount rate are simply a belated confirmation of changes that have already taken place in the credit markets as a result of the interplay of demand and Federal Reserve-influenced supply.

Influencing the Interest Rate Structure

In keeping with this philosophy, open-market operations are confined almost exclusively to very short-term securities. The theory is that these obligations are "the nearest thing to money" and that operations in these securities will have the least impact on interest rates. It is recognized, of course, that these operations will in fact have an important effect upon short-term rates and that they will thereby have some influence upon the entire rate structure. However, by restricting its operations to the short end of the government list, the Federal Reserve avoids trying to influence the **pattern** of interest rates and leaves it to market forces to translate an easing or tightening of short-term credit to the long-term market.

The legal reserve requirements of member banks are today regarded primarily as being a fixed fulcrum on which the Federal Reserve's control levers rest. Despite the numerous changes that have taken place in the reserve requirement ratios over the past 21 years, **changes** in these ratios do not presently constitute a normal method of short-run credit control.

Prior to 1951 when open-market policy was rendered largely inoperative by the program of supporting Government bond prices at par, there was some talk about relying on the manipulation of the reserve percentages as a substitute. However, with the restoration of flexible open-market policy, this talk has just about disappeared. It is significant that in restraining credit during 1951-53 and 1955-57, the Reserve authorities have not raised reserve requirements. Under U. S. conditions, open-market operations are clearly far preferable to changes in the reserve percentages as an instrument for restricting credit.

Sees Lowering Reserve Requirements

This does not mean that reserve requirements will remain unchanged over the years ahead. There is widespread agreement in the United States that existing requirements are too high and that if they remain unchanged, they will become increasingly inappropriate as our economy continues to grow. Over the years, therefore, the Federal Reserve authorities may from time to time lower the reserve requirement ratios. At least some of these reductions will probably be timed to implement an easy money policy. However, once the ratios have been brought down to a more appropriate level, they are not likely to be changed except under extraordinary circumstances.

In some countries, monetary policy is effectuated to an important extent by what we in the States call "moral suasion." Where your banking system is dominated by a mere handful of private banks, it is not too difficult for the central bank to influence banking policies by means of informal conversations with the heads of these banks. In the United States, however, where we have such a large number of banks and where competition is intense not only among the banks but also between banks and non-bank credit agencies, moral suasion has far less chance of being effective.

So, in the United States, moral suasion is not heavily relied upon but it is not completely nonexistent. Most American bankers are very sympathetic with the aims of Federal Reserve policy and are receptive to appeals for cooperation from the monetary authorities. In general, however, the latter have refrained from resorting to such appeals. They recognize that in this competitive situation, the actions of the individual banker must be governed primarily by the interests of his own bank.

Moreover, it is part of the free market philosophy that the results flowing from these responses of individual bankers to the influence of quantitative credit regulation may be far better than if the central bank were to try to decide how credit should be allocated. After all, in a country where the balance of international payments does not provide a clear and compelling guide for directing the flow of credit, it is extremely difficult, except in wartime, to decide what criteria to use. The Federal Reserve authorities, with only an occasional exception, prefer not to essay this task.

That, greatly oversimplified, is what monetary management consists of in the United States today. Let us now consider how it affects the commercial banks, first during a period of credit restraint, then during a period of ease.

How Credit Restraint Affects Banking

The present era of monetary management in the United States dates from the Federal Reserve-Treasury "accord" of 1951 when the Reserve authorities were freed from their obligation to support Government bond prices at par. Since that time, the credit control machinery, rusty from long disuse, has been in process of renovation and adaptation to the changed environment in which it must now operate. Both the monetary authorities and the banks have been learning how to live with flexible monetary policy under modern conditions.

It goes without saying that the monetary developments of these years will not be precisely repeated in the future. Nevertheless, in many respects the character of the relationships between the Federal Reserve and the commercial banks as they presently exist and may exist in the future, can now be discerned fairly clearly.

Since the end of 1954, developments in the United States have adhered closely to the classic pattern of cyclical boom, including heavy demands for bank loans. The monetary authorities have concentrated their attention primarily on restricting the growth of the money supply. They have dribbled additional reserves into the banking system via open-market operations in very niggardly fashion. With deposit velocity rising, as it usually does during a boom, the Reserve authorities have held down the increase in demand deposits to less than average for normal growth.

Consequently, the huge increase that has taken place in bank loans has been financed largely by a reduction in bank holdings of Government securities. The chief aim of monetary policy has clearly not been to clamp down on bank lending but rather to force the banks to liquidate Governments to offset the effect of loan expansion on the money supply.

In other words, monetary policy has operated primarily through its effects on bank investment policies. Instead of being buyers of Government securities on balance, as they had been during 1954, the banks became sellers on balance on a very large scale. This not only curbed the growth of the money supply; it also transmitted the impact of monetary policy to non-bank lenders and investors, especially in the capital market.

Bank earnings have improved somewhat but not as much as might be assumed. Asset growth has been restricted: operating costs have continued to rise; and the banks have raised their interest rates paid to savings depositors. Intense competition has held down bank lending rates much more than might be expected in view of the unprecedented demands for a limited supply of bank credit.

Few banks foresaw the magnitude of the loan demand that did develop and many liquidated their lower-yielding short-term securities first. By now the investment portfolios of many banks are denuded of short-term obligations and their remaining holdings show a substantial market depreciation. Security profits have been replaced by losses, the chief consolation being that the losses can be generously shared with the tax collector.

Effects on Bank Lending

In addition to these effects on bank investments, lending policies have been affected as well. Two surveys conducted by the American Bankers Association among its members during this period shed considerable light on the nature of these effects and why they have taken place.

With loans expanding and deposit volume held down, banks' ratios of loans to deposits have risen sharply. There is no generally accepted ratio of loans to deposits that American bankers regard as being critical but many individual banks do adopt their

*An address by Dr. Adams before the International Banking Summer School, Garmisch, West Germany

own standards in this regard. These criteria are usually informal and often subject to revision upward as bankers become accustomed to living with higher ratios. Nevertheless, the rapidly rising trend of loans to deposits over the past several years has caused more and more banks to feel that they were approaching a fully loaned position. Also, with bond prices trending downward, there has been an increasing reluctance to take additional losses from selling securities to obtain more funds to lend.

Consequently, most banks have become more selective in their lending policies. The change has been a gradual one, very gradual indeed during 1955, much more marked since then. During 1955, in fact, due to competitive conditions, many banks relaxed their lending policies with respect to consumer instalment loans. Also, in answering our survey taken in the last quarter of 1955, they emphasized that in the types of lending where they had become somewhat more strict, their shift in that direction had been only very moderate. Since 1955, however, there has been a decided trend toward greater selectivity in all categories of loans. After a long lag, monetary policy really began to bite.

This has been particularly true for most medium-sized and large banks, especially the latter. In certain financial centers, New York in particular, loan demands have been extraordinarily strong and at the same time many large corporations have drawn down their balances to take advantage of the increasingly attractive returns available in the short-term money market. As a result, some of the big money market banks have been caught in a squeeze of rapidly rising loans and declining deposits. To be sure, these banks' customers can frequently obtain the credit they want from other banks throughout the country but this very process helps to spread the tightening of credit throughout the banking system.

Small Banks Have Credit

Small banks have been affected to a much lesser extent. In reply to our latest survey, more than one-third of the banks with deposits under $50 million reported that bank credit in their localities is still "readily available" and most of the remainder characterized the situation as being merely "somewhat tight."

About three-fifths of the banks reporting that they have become more selective in their lending, told us that this involved stricter review of loan applications from a credit standpoint. Almost as many indicated that they have given greater consideration to their past relationships with loan applicants. About one-third reported a definite policy of providing faster repayment schedules, and about the same number stated they are giving more weight to the willingness of borrowers to maintain good balances. Only about one bank out of four indicated that it was doing much in the way of scaling down the amounts of loan requests.

To what extent has this greater selectivity in bank lending actually curbed the rise in bank loans? Two-thirds of the banks with deposits under $500 million, say "hardly at all," and most of the remaining third estimate that loan expansion since 1955 may have been held down to the extent of "perhaps 5 to 10%." Even among the largest banks, only a comparatively small minority estimates that their loan expansion has been held down by more than 10%.

This, of course, is not surprising. Bankers properly feel that one of their primary responsibilities is to meet the legitimate credit needs of their communities to the extent that they can safely do so. This obligation applies particularly to business customers who have maintained good balances over the years so they can borrow when they need to. And in many cases, of course, banks have definite commitments to lend in the form of lines of credit.

No Need to Act on Bank Loans

The fact that bank loans have expanded so rapidly is no indication that monetary policy has been ineffective. In a number of countries, bank loans have been singled out as a special target for restraint, one reason being that some central banks lack effective control over the total money supply. In the United States, however, the Federal Reserve does have efficient machinery for regulating the money supply and there would be little excuse for resorting to such an expedient. Monetary policy in the United States operates through many channels besides bank lending and the Reserve authorities have shown no disposition to discriminate against customer loans as against other types of credit.

The record does indicate, however, that considerable time elapsed before the Federal Reserve's policy of credit restriction had much effect either on the banks or in other areas. One reason was because not only the banks but corporations as well were highly liquid at the beginning of 1955. This is likely to be true to some degree whenever monetary policy shifts from ease to restriction. In theory, the time lag could be shortened if restraint were to be applied more vigorously at an earlier date, but this implies a greater perfection of prevision and timing on the part of the monetary managers than we have a right to expect of mere mortals. Also, fear of stifling economic expansion will usually tend to make the Federal Reserve overcautious about applying the brakes during the early phases of a boom.

On the other hand, once the excessive liquidity in the economy has been eliminated, the effects of monetary policy become progressively more restrictive. Credit could become much tighter than it is at present. In fact, from this point on, the monetary authorities may have to be particularly careful to avoid having credit conditons tighten too rapidly.

Treasury Financing and the Banks

Over the past several years there have been some interesting developments in the relationships between the Federal Reserve System and the commercial banks with respect to Treasury financing operations. With private borrowers bidding aggressively for credit, the Treasury has relied heavily on short-term financing and has, therefore, repeatedly needed help from the banking system.

One might assume that this would seriously impair the efforts of the Federal Reserve to restrain bank credit. This does not appear to have been the case, although it has admittedly complicated the task of the monetary authorities.

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Monetary Management's Impact Upon Commercial Banks

Time and again the banks have taken on substantial amounts of new Treasury issues and the additional reserves required to finance these acquisitions have come in part from Federal Reserve open-market operations and in part from increased borrowings by member banks from the Federal Reserve. The willingness of banks to borrow for this purpose has enabled the Treasury to accomplish these financings without requiring the Reserve banks to relax appreciably their pressure on bank reserve positions. As a result, the banks have soon resumed selling Governments and the expansion of bank credit resulting from the financings has proven to be temporary. In essence, therefore, the banks have acted as middlemen in distributing new Treasury securities among nonbank investors.

How Credit Ease Affects Banking

How would the banks be affected by a period of business recession and easy money. To answer this, let us look briefly at what happened in 1953-54.

In May and June of 1953 the Reserve authorities stumbled accidentally into an easing of credit partly because they had permitted the money and capital markets to tighten too suddenly and partly because they had to help the Treasury with a large financing operation for new money. When they finally decided, however, that the bloom was off the boom, they proceeded to push easy credit with messianic zeal. Their aim was not simply to make sure that credit was readily available at reasonable rates; they were intent upon really pumping reserves into the banking system and actively encouraging an expansion of the money supply.

The banks found themselves well supplied with reserves and assured that the supply would continue to be ample. Yields on short-term Governments dropped precipitously and rising bond prices shifted bank portfolios from the red into the black.

The influence of Federal Reserve policy was reflected in the fact that total bank deposits and total bank loans and investments actually increased during this period. The chief impact, of course, was on bank investment policies. The banks used some of their additional reserves to expand their holdings of securities. With sharply lower yields prevailing on short-term Governments, they lengthened out the maturities of their investments on a substantial scale.

There was also some effect on bank lending policies. Although declining business tended to make bankers generally cautious, many banks loaned somewhat more freely than during the first part of 1953. Ready availability of bank reserves forestalled possible pressures to liquidate bank credit.

There was no question, of course, that monetary policy was headed in the right direction but there was a question as to whether it was perhaps being pushed too fast and too far. Some of us who politely expressed this view at the time were politely waved aside.

Now, in retrospect, the Reserve authorities have agreed that their easy money policy of 1953-54 was carried too far and that this compounded their problems during the ensuing boom. But does this mean they would not do the same thing again? No one can say for sure, of course, but when the economic indicators are pointing downward, it is probably only natural for monetary policy to err in the direction of excessive ease.

Credit Ease Hurts Banks' Earnings

This obviously has important implications for commercial banks. By early 1954, though aggregate spending had receded very little from its peak, the Treasury bill rate had been pushed below 1% and the discount rate had been reduced twice to 1¾%. Such a policy, if continued very long, could have undermined the whole structure of interest rates, with serious consequences, clearly, for the earning power of the banking system. Fortunately, business began to expand again before this process went very far but the portent for the future is not too reassuring.

There is, of course, some consolation in the fact that total bank credit is less susceptible to shrinkage than it used to be. Bank loans appear to be at least somewhat less vulnerable to decline than they were years ago and if total loans should decline, the Federal Reserve would certainly encourage the banks to expand their holdings of Government securities to prevent a serious contraction of the money supply. From this standpoint, the banks are in a much better position than formerly, but this will not protect them from a sharp decline in the average rate of return on their assets.

Public attitudes and public policies in the United States show a strong bias in favor of low interest rates. This is partly a reflection of the long period of extremely low rates that developed during the Great Depression and was artificially prolonged throughout World War II. Although, viewed in longer historical perspective, interest rates in the United States today are clearly still quite low for a boom period, and especially when compared with other countries, most Americans are firmly convinced that the present level of interest rates is very high.

This bias appears to be reflected to some extent even in monetary policy. Indeed, it is hard to see how the Federal Reserve's attitude toward interest rates could help being influenced to some degree by the prevailing psychology and also by the magnitude of the public debt. In any event, the experience of recent years suggests that the Reserve authorities will probably accelerate a decline of rates during a recession and retard the rise in rates during periods of active business.

At first blush, this situation might seem to have ominous implications for bank earnings. This would be so if our periods of recession and recovery were to be of equal duration. However, the United States economy is now enjoying another epoch of dynamic growth, so the chances are that our periods of recession and low interest rates will be of short duration and our periods of expansion of long duration, which should result in a fair average level of rates over the years. Also, the extent to which the Federal Reserve can retard rising interest rates when it is determined to hold down the money supply, is obviously limited.

The Future of Monetary Management

To sum up our discussion thus far, we might say that over the years ahead, monetary policy will doubtless continue to have a major impact upon commercial bank investments, lesser but still significant effects upon bank lending, and, of course, important effects upon rates of return and bank earnings. These effects will surely confront bankers with enough problems to keep life interesting, but there seems to be no reason why American banks will not be able to function satisfactorily, and at a better-than-subsistence level, under modern monetary management.

This is all on the assumption, of course, that the character of monetary management will not change greatly over the years ahead. Is this assumption valid?

You have doubtless heard of the storm of opposition that has developed in the United States in recent years to rising interest rates and so-called tight money. Also, over the past year living costs have been rising and this has shaken confidence in the effectiveness of monetary policy. The trouble is that so many people fail to understand two basic facts: (1) that in a boom the only alternative to crediit restraint is inflation, and (2) that credit restraint alone cannot be expected to do the whole job of stabilizing the economy.

This reaction to monetary policy is not new, of course. Credit restraint always arouses opposition. Today, however, there is a real danger that monetary policy may become a permanent partisan political issue. This admittedly might limit its usefulness and even jeopardize its very existence.

In the last analysis, the outcome will depend upon the intelligence and common sense of the American people and their elected representatives. On issues of this kind, our past record has been by no means perfect, certainly, but on the whole, quite good. I believe it will continue to be good in the future and that monetary policy, despite vicissitudes, will survive and will continue to contribute effectively to the stability of our vigorously growing economy.

Sports Arenas Stock Offered at $1.25 a Sh.

James Anthony Securities Corp. of New York City and MacRobbins & Co., Inc. of Jersey City, N. J. are offering publicly 240,000 shares of common stock (par one cent) of Sports Arenas (Delaware) Inc. at $1.25 per share.

The net proceeds from this financing are intended to be used to complete bowling alleys in Yorktown Heights, N. Y.; to purchase a bowling alley at Great Neck, N. Y.; to purchase land at Stamford, Conn.; to acquire and build bowling alleys at Brewster, N. Y.; and for working capital and other corporate purposes.

Giving effect to this transaction, there will be outstanding 540,000 shares of common stock, out of an authorized issue of 5,000,000 shares.

Sports Arenas (Delaware) Inc. was organized in Delaware on Sept. 30, 1957 for the purpose of acquiring, constructing and operating a chain of bowling alleys, skating arenas, kiddie cities and other amusement areas, at various desirable sites in suburban communities situated near the larger metropolitan cities in northeastern states but principally in New York, New Jersey, Connecticut, Maryland, Delaware and the District of Columbia. The company intends to operate through controlled or wholly owned subsidiaries, which it may organize, or acquire in the normal course of business.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Rhoda L. Silver has joined the staff of Bache & Co., 1000 Baltimore Avenue.

Burke, MacDonald Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Ivan D. Rowe has been added to the staff of Burke & MacDonald, Inc., 17 East 10th Street, members of the Midwest Stock Exchange.

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Compulsory Unionism and Responsible Unionism

manship," "public responsibility of trade-union leaders," and even "trade-union morality," such talk is not to be taken too seriously. It is really only another reflection of the queer collectivist ideology and "public relations" approach so characteristic of our day. Talk of "social responsibility" makes sense only when we are conscious, in so speaking, that we are looking in another way at the humble and earthy realities to which I have already referred: that things do not work out satisfactorily from a social point of view when in any private association force and compulsion make up the common modes of operation. To put the matter briefly, the social responsibility of trade unions is nothing more than the obligation of union members and officers to refrain from pushing other people around.

Consider the recent action of the Ethical Practices Committee of the AFL-CIO in respect to the Teamsters Union. Finding some Teamsters officers guilty of "corrupt activities offensive to trade union morality," the committee has in effect recommended the ouster of the Teamsters from the Federation, unless in the forthcoming election the offending officers are rejected. "We think," the Committee declares, that "the 1,400,000 members of the Teamsters Union want and are entitled to have a clean union."[3]

[Editor's Note—On Oct. 24, the AFL-CIO Executive Council suspended the International Brotherhood of Teamsters until certain abuses are corrected.]

Can There Be a Clean Union?

These findings and declarations raise two questions. Assuming that the members of the Teamsters are entitled to have a clean union, how effective will the parent Federation's condemnation of some of the present Teamsters' officers be? The Ethical Practices Committee is not even scratching the surface of that problem. It is not enquiring into the organizational methods of the Teamsters; methods which are largely aggressive, compulsory, and coercive. Nor is it enquiring into the operational techniques; techniques which are for the most part oppressive and monopolistic. Even if the Teamsters should comply by rejecting the officers condemned by the Committee, can one expect the resulting situation to be materially different? If nothing changes except the top officers of the Teamsters; if all else remains the same—what has been accomplished?

From this arises the second question. Is the wide concern so evident today with trade-union practice evoked only by the personal conduct of the present trade-union top leadership? Almost certainly not. The focus of concern may differ somewhat from one person to another, but the true basis of concern lies in the character and structure of union organization and in the way in which unions act in the so-called collective bargaining process.

Claims Members Are Forced to Join

In the organizational stage union conduct is characterized to a considerable extent by coercion, both physical and economic. Union organizers sometimes sell unionism to workers, but with great frequency union membership is forced, not sold. Most often the coercion is of the economic type. Organizational picketing, hot cargo contracts, blacklisting, secondary strikes and other kinds of boycotts, and compulsory unionism agreements — these are the most usual methods of forcing unionization upon unwilling employees and employers. Outright violence is used when economic coercion fails. Those who doubt this are simply unaware of what is going on. Moreover, it must be understood that such conduct is not characteristic only of unions which have felt the wrath of the Ethical Practices Committee of the AFL-CIO. There is scarcely a large union in this country which has not used and is not using one or more such methods today.

The consequence of the wide use of these coercive methods, as I have elsewhere said, "is a general structure of unionization in this country which bears no necessary relationship whatsoever to the desires of individual workingmen."[4] Furthermore it leads to union practices which cannot be reconciled with the free market upon which we rely as consumers for protection from monopolistic oppression. When a union does not have the stranglehold upon an entire industry that the Auto Workers have in the automobile industry, it is common to see its strikes supplemented with violence, as witness the Kohler affair. No one can reasonably object to the use of the simple strike for higher wages—the unadorned and pure concerted refusal to work. But when violence occurs, social responsibilities of the most basic kind are flouted, and all members of society are oppressed. Violence is in itself a social evil. In the usual case it involves a physical assault upon persons who prefer not to join the striking union in the pursuit of its objectives—a preference which is within the rights of every man in a decently ordered society.

No Free Market

But the social wrong implicit in strike violence goes beyond the interests of the persons whose physical integrity has been violated. Union violence is intended to, and does often, secure wages and working conditions higher and more costly than would be forthcoming in a free market. Men willing to work at less pay than the union is insisting upon are by violence precluded from serving society. Workers and consumers pay for the higher costs which this form of extortion exacts — workers, because there will usually be less employment at the higher wages; the consumer because usually prices will be higher. Notwithstanding these untoward social consequences, I have yet to hear the statesmen in the AFL-CIO's Ethical Practice Committee threaten the expulsion of unions which use violence in connection with their so-called collective bargaining.

When a union is in the position of the UAW in the automobile industry or of any other tightly organized industry-wide union, it achieves the same socially harmful ends without having to use violence—at least without having to use it habitually. The industry-wide union is about the closest thing to the true, pure monopoly to be found in the United States today. It is an agency which has achieved power through coercive means and has virtually exclusive control of a resource—human labor—for which demand is relatively inelastic. Any good text in economics will explain that these are the conditions necessary

3 The *New York Times*, Sept. 19, 1957, p. 21.

4 By the author, *The Labor Policy of the Free Society*, p. 112 (1957).

to the kind of social exploitation associated with monopoly. It is highly doubtful that any commercial or industrial firm in this country possesses the monopoly characteristics necessary to exploit consumers. We have reached a stage of complex competition such that the demand for almost every consumer good imaginable is elastic to a considerable degree, and this is the situation of course which materially reduces the power of any business firm, however big, to exploit consumers.

True Monopoly Exists

It is true that the demand for human labor as a means of production can get tolerably elastic in specific instances; men in specific jobs can sometimes be replaced to some extent by machines. But in the nature of things, the demand for labor is in an over-all sense final, ultimate, and relatively inelastic—relatively, that is, to the demand for specific material goods. And when a union has secured control of all the labor in a broad industry, and keeps this control in the iron grip of force and compulsion, society is faced with true monopoly power. No better example of such power is available than the United Automobile Workers. And no organization in this country, including the Standard Oil Company during the 19th century, has ever gone about the job of building up and exercising monopoly power more single-mindedly, more skilfully, or more ruthlessly.

There can be no doubt at all that ordinary morality and trade union morality overlap at certain points. Both apparently condemn stealing. But it is evident that a good many things in trade union practice which offend ordinary people seem inoffensive, perhaps even laudable, to those guardians of trade-union morality, the members of the Ethical Practices Committee of the AFL-CIO. Economic and physical coercion in the organizing process, and violence and monopolistic pressure in the bargaining process have never been the preoccupation or concern of the Committee. There is nothing particularly wrong in that. The members of the Committee have a right to broaden or to limit their interests as they will. However, if *our* interest is in fixing the social responsibilities of trade unions, we are compelled to conclude that something more than the help of the Ethical Practices Committee is required.

A Fragmentary Corrective

The right-to-work laws are today the most striking responses of society to the threats posed by big unionism. As I have already observed, they offer only a fragmentary corrective; compulsory unionism, leading to socially dangerous industry-wide unionism, takes a variety of forms which the right-to-work laws do not reach. Nevertheless, the right-to-work laws, unlike the fulminations of the Ethical Practices Committee, go to the causes of the conditions which currently preoccupy us; they do not divert attention and energy to the superficial results of basicaly bad conditions.

There is of course no guaranty that strictly voluntary unions will always be run well or that they will never pose the grave dangers to the market economy which present industry-wide unions are posing. Yet, when one realizes that present-day industry-wide unions have achieved their position through the use of force, violence, economic coercion, and government assistance and connivance, one may reasonably believe that the elimination of those things may help to bring about a healthier state of affairs. A union which is the free and uncoerced choice of its membership is certain to be an organism essentially different from an organization which has compelled unwilling persons to enroll. Being a different kind of thing, it is likely to act differently. Resting on the consent and volition of the membership, the union's leadership is likely to be a great deal more solicitous and probably a great deal more honest in relationships with its members.

Strictly voluntary unions, again, are likely to be smaller and less widely dispersed than the giant compulsory organizations which we now know as trade unions. As such, they will probably be run better; and defects in their operation are likely to be more speedily corrected. More important than that, they will not be in a position to exert monopoly power; and in that respect society will be the gainer.

No Intent to "Bust Unions"

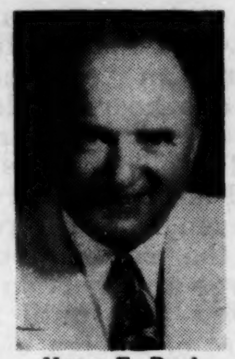
Such, I think, is the rationale of the right-to-work laws. When one reads the text of the latest such law, the Indiana law of 1957, it is hard to believe that the right to work laws are designed, as is so often charged, to "bust unions." All these laws are specifically intended and are tightly drafted to protect free employee choice as much against employer coercion as against trade-union coercion. The Indiana law declares that:

"It is the public policy of the state that membership or non-membership in a labor organization shall not be made a condition to the right to work or to become an employee of or to continue in the employment of any employer; that employees shall have the right of self-organization and the right to form, join, continue membership in, or assist labor organizations; and that employees shall equally have the right to refrain from forming, joining, continuing membership in, or assisting labor organizations. . . ."

One intent upon destroying trade unions would scarcely frame a law in such terms. On the other hand, a free society intent upon expressing the conditions necessary for its own preservation would, I believe, be well advised to have such a law.

On the Right Track

"If it is necessary to appropriate an additional $2,000,000,000 to get this program going full blast, I am sure Congress will do what it is asked to do in that particular field.



Harry F. Byrd

"The additional expenditures would not have to unbalance the budget if President Eisenhower would just follow the pattern of appropriation reductions made by Congress and reduce spending in some non-essential domestic fields." — Senator Harry F. Byrd.

We are a little puzzled about "the pattern of appropriation reductions made by Congress," but we are strongly in favor of reducing "spending in some non-essential domestic fields."

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As We See It

ahead—of the Kremlin and those who do its bidding in the matter of pure science, the application of pure science to military uses and in the longer run to the economic affairs of men. Were this not the basic nature of our problem, the term "egghead" would not convey such derision, and so many of our youths would not so often make certain that they do not become an "egghead." The situation becomes clearer when one hears nuclear discoveries denounced as the work of warped minds which would have been better engaged in other things as if we could hide our heads in the sand and be safe from the competition of other peoples or even from destruction by them. Another indication of the nature of our position is found in the fact that so large a proportion of the scientists who have kept us abreast—and until recently ahead—of most other nations are of foreign birth and training.

A Strange Attitude

We as a people have developed a strange attitude toward intellectualism and toward science in particular, and that attitude which permeates the body public provides the youth of the country with an added incentive for shunning the arduous tasks which mastery of mathematics and science requires. Traditionally we have been more interested in practical things than in those which are commonly termed "theoretical" or academic. More recently our educational philosophy has turned more and more to vague generalizing about current events which is supposed to "educate" the youth and make them "well-rounded" citizens. Despite the fact that more and more evidence is accumulating that the future belongs to those nations whose peoples master nature best, and notwithstanding that those who master nature best must devote long and arduous study to what is known as science, there is a serious, not to say alarming reluctance of youth to seek the training required for careers in these fields.

It would, of course, be idle merely to blame the younger generation for this state of affairs. It would be unfair and unrealistic and certainly quite unproductive. The blame must rest upon us all if presently we find ourselves underlings in the march of human progress. We are still far in the lead in making full use of existing knowledge in the production and distribution of the good things of life. There are others who are catching up with us but they have a good way to go still for the most part. But continued progress which will assuredly keep us ahead will depend upon continued probing into nature's secrets — and the probing cannot be limited merely to those areas where practical results can be foreseen.

More Is Needed

Of course, the truth of all this is well recognized among progressive business men of the day, as attest the large sums now spent for abstract research and the generous contributions to various types of institutions for this purpose. But such recognition of the need for research and even willingness to pay for it will not alone provide the solution. Already there is a dearth of able, well trained scientists. It is, moreover, evident enough that the necessarily dwindling existing supply of such men is not being replenished in the degree needed.

Many have in recent months and even years come forward with varied "programs" for correction of this state of affairs. These proposals usually deal with the organization of our school system, alterations in the course of study offered, the allocation of greater sums to the education of the youth, and various schemes designed to make it easier for students to turn to the study of mathematics and science. Some observers add criticism of business for not rewarding the scientist or the engineers more liberally as compared with the salesman or some other factor in the production of goods. There are those, of course, who seem to feel that the infirmity could be quickly cured by the application of huge public funds to education in public schools and other institutions of learning.

Scientific training is expensive, of course, and it may well be that the financial rewards of those who follow its arduous course is not as large as it might be. There well may be a need for rearranging the courses of study in secondary schools, colleges and universities. Something more fundamental than all this is, however, required if we are to move ahead vigorously, steadily and competitively in this matter of digging into nature's secrets. Somehow we shall have to make drastic alterations in our thinking about science and scientists, honoring them rather than scorning them, rewarding them rather than begrudging them what we must pay them. We must somehow pass on this new spirit to our sons and daughters. Otherwise, no matter what else we do, we shall fall behind.

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Achieving Greater Efficiency From Our Untapped Oil Reserve

continue to rise. Land acquisition costs are climbing; sizable oil reservoirs are becoming increasingly difficult to find; more wells must be drilled and to greater depths; and lease operating costs will keep on their upward trend.

Alternatives Facing Us

With this set of circumstances being presented to us, there are two alternatives facing the producing industry. We can raise our income either through higher prices or by cutting down our expenditures per unit of output. Since we are aware of the advantages in maintaining reasonable prices for consumers, and of potential economic limitations to continually rising prices, certainly the best answer is to find ways and means to reduce our expenditures as much as possible. One of the best ways to reduce expenditures—and thus increase net revenues at the same price level — is through improved finding and more efficient producing and development methods. These can be accomplished primarily by more research and technological advancements.

Expenditures in the oil producing industry are essentially divided between its exploration and producing functions. Fortunately, each of these fields offers excellent opportunities for technological progress.

Looking first at exploration research, we have made great progress in subsurface analysis and correlations, improved seismic techniques such as magnetic tape recording and variable intensity film interpretation. The geologists and geophysicists have been working closer together than ever before toward a better understanding of the many possible types of oil accumulations and where they are likely to occur. However, more and better research programs by the industry will further improve our understanding of the source, migration, and accumulation of crude oil. Particular need exists for geophysical methods to find stratigraphic traps which may be our most prolific source of new oil reserves. We must not only improve our existing finding tools but, in addition, evolve completely new approaches to oil finding to increase our wildcat success frequency and the quality of new oil reservoirs discovered. This will materially reduce the per barrel cost of discovered reserves, which is, of course, our objective.

New Type of Research

The kind of research I am talking about has impressive dollars and cents value. Suppose we had been able to improve the efficiency of our geology and geophysics in 1956 by enough to permit us to discover and develop the same amount of oil while drilling 10% fewer dry holes. This would have saved the U. S. producing industry in the order of $130,000,000.

Turning to production research, we see that it covers a very broad range of industry activities. These include research on lease operating methods, reservoir behavior and performance, secondary recovery, drilling, and completion practices—all designed to maximize recovery and profit.

Our lease operating expenses, for example, offer a good possibility of reduction through the use of automatic lease transfer equipment and metering facilities. In Texas, as well as other states, and in Canada there are numerous automatic systems now operating on an experimental basis, with the approval of local conservation and regulatory bodies. Widespread adoption of automatic systems will not only reduce manpower requirements considerably but also will reduce investments in tankage and attendant facilities. Operating costs may be further reduced by improvement in lifting methods, workovers, and in stimulation techniques.

Petroleum engineers and researchers have made remarkable progress in the field of reservoir engineering. They have acquired knowledge about the proper spacing of wells; efficient methods of producing reservoirs; and the most efficient methods of supplementing natural energy devices. The whole concept of modern oil conservation has resulted from this work. But the small land divisions and the intensely competitive nature of our leasing activity often leads to excessive drilling practices. These difficulties can be and are being overcome by unitization in a large number of instances. In foreign operations where large areas are leased by a single lessor — the government— and where such areas usually are developed by single companies, we are able to use our knowledge to the maximum extent and drill the minimum number of wells to most efficiently produce a field at an optimum economic rate. If we were more able to follow the same practices at home, we would appreciably lower our producing costs per barrel.

Unitizing Results

Last year in the state of Texas, for example, 13,082 oil wells were completed. Had we doubled our well spacing, we might have reduced expenditures by some $360,000,000 and saved an additional $10,000,000 per year in operating costs. This total saving would have been equivalent to 35 cents for each barrel of crude oil produced in Texas last year. Or, putting it another way, this saving in Texas alone would have brought about a 5% reduction in the entire U. S. industry's cash expenditures. We should also consider that the drilling of many of those 13,000 wells in Texas did not go to increase our production, but rather resulted in further prorating the production from wells already drilled. In a sense we are like the farmer who turned down a chance to take a college course in scientific farming "because he already knew how to farm a lot better than he was farming now." We can excuse ourselves in areas where we haven't found the right answers, but I do think we should be taking better advantage of what we already know.

Secondary Recovery

In the field of secondary recovery information is also accumulating which, if put to proper use, could result in enormous benefits to the nation and to U. S. oil producers. You are familiar with estimates which indicate that of the 290 billion barrels of oil originally in place in known reservoirs of the United States, we may ultimately be able to recover scarcely more than one-third with presently known techniques and with oil at its current price. It is apparent that getting out any substantial fraction of this oil, which will otherwise be left unrecovered would far more than return the cost of the research required to evolve a new recovery method. In the Loudon Field of Illinois, for example, indicated oil recovery by primary means was 200,000,000 barrels, or 25% of the oil in place. The application of secondary recovery techniques, particularly water flooding, will increase oil recovery to 400,000,000 barrels, or 50% of the oil in place. Continued research in water flooding, pressure maintenance, use of solvents in oil recovery, underground burning, and other approaches to be worked on will bring us closer to the ultimate goal of producing substantially all the oil we find.

The largest single item of producing expenditures is for the actual drilling of wells. This sum, when excluding the cost of completions, represented about 20% of our total producing expenditures. Half of the drilling costs may be laid to dry holes; and—aside from better locations — there are two ways to decrease these dry hole costs—either to drill fewer wells to develop the same reserves or to drill them more cheaply. To drill the wells cheaper is vital to industry.

Better Drilling

We have made great strides in drilling technology during the past decade. We are now using lighter, more portable rigs. We are skidding rigs wherever possible; and have developed efficient units for drilling offshore. Rig components, tubular goods, and bits have been improved. Air drilling experience suggests potential for further penetration rate improvements. In terms of constant dollars, the benefits that have been obtained from improved technology have been offset by deeper drilling, but still the very fact that there has been this offset has represented savings to the producing industry.

To be sure, the rotary drilling system is simple and highly adaptable; however, there is no insurmountable reason why we cannot develop a new and more efficient drilling method. This year, our industry will spend less than $5,000,000 in trying to find ways to do this work faster and cheaper. This is less than one-tenth of 1% of total expenditures. In many respects today's drilling methods are the same as those we were using in the early 1900's, a fact which should be a constant challenge to U. S. producers. It seems plain that future drilling research must increasingly examine the characteristics of earth materials and the most efficient means of bringing about rock failure. We must also work on concentrating the necessary energy so that the highest rate of penetration is accomplished.

The cost of completing both productive wells and dry holes has increased even more rapidly than the cost of drilling. This is in spite of progress in our completion practices through developments such as multiple zone completions, hydraulic fracturing, permanent type well completions, reduction in casing requirements, use of portable work-over rigs to eliminate stationary derricks, and new testing, cementing and perforating devices. These new methods have tended both to keep our costs down and to increase production and reserves; they have actually enabled us to complete as producers wells which a few years ago would have been dry holes.

These, then, are some of the main areas where there is urgent need for research approaches which will bring the producer greater efficiency. The answer to all these needs lies in making full application of our technical knowledge and in our willingness to try new ideas without being afraid of failure—because we frequently learn as much from our failures as we do from our successes. Revitalized research programs and new blood to help them will very certainly result in greater

returns for the industry's investments.

Whose Responsibility?

Probably one of the big questions before the producing industry is "Whose job is it to carry out this essential research?" At present more than 80% of all the geological and geophysical work in the United States is performed by 30 major oil companies, and it seems logical that the real burden for research in this field should fall on them. The major companies have also undertaken the largest share of production research to date, but it is the responsibility of the industry as a whole to participate in and to help supply the necessary effort. Also, in the field of drilling it is obvious that it is the producer who stands to gain the most by reduced drilling cost —not the manufacturer of the equipment or the contractor, in spite of the fact that he actually drills 90% of the wells. All segments of the producing industry must aid development of new and improved techniques. Smaller operators, contractors, and manufacturers can through individual and cooperative action do much to aid the common cause. It is up to all of us to see that when new processes are developed by any one company or group—large or small—that they be made available to the industry as a whole on a reasonable basis.

Right now the **total** money spent in **all** phases of exploration and production research is only about $40,000,000 a year, or less than one-half of 1% of all the money we spend. In any other technical industry research expenditures of 2% to 5% are common. In many ways our relatively small effort could be compared with a wheat farmer who makes little or no provision for next year's seed. The stakes in the field of research are so enormous for the producer; they have such economic, social and defense implications for the public that I do not believe we have any choice but to mount a larger and more comprehensive oil industry research effort. We can be certain that other forms of energy, the laws of economics or some other outside force will act upon us if we do not press forward with creative research projects.

Certainly we should take heart in what the U. S. producing industry has accomplished to date. If the same spirit of bold initiative which is a major characteristic of the oil producing business can be generated in the field of research and technology, and thus improve recovery and efficiency, America's oil producers will have come a long way toward meeting their full responsibility to the nation. Actually the need is more than a social responsibility—it is a sheer economic necessity.

Today's Oversupply

If I may, I would like now to discuss the supply situation — a subject which I know is both in and on your minds. The industry is presently suffering the pains of oversupply. We have been aware of it in all directions. Texas has had to work to a 13 day allowable for one month and a 12 day allowable for two months; we have seen purchaser pro-rating and all of its attendant headaches in several areas; inventories are too high and the industry's cash generation too low.

As often happens at such times we have lost ground in public esteem—ground which is increasingly difficult to recover and is essential to have if we are to prosper as an industry.

I think that our present oversupply problem has its roots in three things. First, the consumption of oil in this country this year has not fully kept pace with earlier estimates. Second, we probably did not readjust our output fast enough following the reopening of the Suez Canal. And finally, considering these first two points, there is no doubt that crude oil imports into this country reached too high a level.

I think it is unfortunate that imports reached such a level. As a result, our government stepped into the picture and provided guidance to each company in its import program. Happily, and wisely, this did not take the form of government control. I regard this as a sign of confidence that each importing company will recognize the importance of this problem and act accordingly. But I think it is quite clear that no one can expect to continue to enjoy this confidence unless the problem is handled in a manner consistent with the guides suggested by the government.

All Producers Are Affected

To my way of thinking it is imperative that each individual and each company which is affected by the imports problem—be they domestic producers, importers, or both—be fully aware of the risk it is running in not handling the problem satisfactorily—and doing it voluntarily. I mean the risk of more government control of our industry. The Federal Government already has a foot in our back door by way of the Supreme Court's action on natural gas. Getting it out has turned into a long, uphill struggle. If the government should pry open our front door—or worse yet, if we should open it for them—our house will soon no longer be our own.

Too often we have talked and thought about this specter of government control of the oil industry only in general terms. I would like to speculate on it in more concrete terms. The imports problem offers a good example, but the same consequences could flow from several other directions. Suppose for a moment that the government were to decide to exercise full control over petroleum imports. Let us look then at what could happen here at home to our producing industry, ignoring entirely the very serious effects which this would have abroad on our relations and economic ties with friendly nations.

To set import quotas the Federal Government would have to estimate the future demand for oil in U. S. This could well lead the government into inquiry into the how and the why of certain end uses of oil. It could also lead to inquiry as to the relative share of the total energy market supplied by oil, gas, coal, oil imports and so on. Acting under Section 7 of the Reciprocal Trade Act, the government would inquire as to the financial and economic condition of the domestic producing industry. The price of domestic crude oil could be a matter of exhaustive government investigation. A next step might be attempts to establish government allocation of production between the several oil producing states.

You may say it is fanciful to imagine such things. Maybe it is. On the other hand, controls breed controls. History is full of such cases. And any amount of government control is subject to political considerations and political pressures of every sort. If there is one industry where politically inspired interference could raise havoc, it is an operation characterized by a high degree of risk such as the oil business. We could get into a situation where someone else would be playing two expensive games — poker and politics—with our money.

I sincerely believe that it is in the interest of our nation and of our industry that we guard against and vigorously resist any steps in the direction of government control. It is because of this that I am hopeful that all concerned will give a fair trial for a reasonable period of time to the individual voluntary approach which has been set forth by the government in an effort to solve the imports problem.

Securities Salesman's Corner

By JOHN DUTTON

It Pays to Try!

Time and again I have observed that many salesmen (including myself) will say, "Oh, that fellow is not in the market, there is no use calling him on this new issue", and we pass him by only to discover later that someone else got the order we didn't think it worthwhile to try to obtain. I had this demonstrated conclusively last week—on two counts.

Took Him Too Literally

After several months of contacting a qualified investor in tax-exempt securities, he told me about a month ago he had bought all of the bonds that he could handle in the state where we both reside. He said he was only interested in attractive offerings of good grade out-of-state bonds and if I had something exceptional in that category to show it to him. This sounded very convincing, so that subsequently when two very attractive bonds were offered by communities **located in our state** I did not think I should give him a call. After all, the man told me clearly that he wasn't interested (I felt that I might annoy him by not taking him at his word). Just last week another extremely attractive issue was offered within our state and, since it was priced so right, I decided to take a chance and call him on the telephone.

Much to my surprise he told me that he had bought the other two issues (when he was in a city over a thousand miles from our mutual residence) and he thought they were so attractive that he decided he could use them despite the fact that he had told me that he already had too much invested in his home state. Now you figure it out. The only thing I can see about this unusual turn of events was that this man is the long time customer of the broker in that city a thousand miles from where we both now live, and I am the fellow who is trying to obtain some of his business.

But it does prove a point—when I mentioned that the reason I did not offer the other two local issues was that he had emphatically drawn the line because of the geographical diversification needs of his portfolio, he replied, "Well, once in a while I'll still buy some more bonds in this state PROVIDING THEY ARE OUTSTANDING VALUES." Sometimes people say things in all seriousness one day—and a month later they either forget it, or change a policy, OR THEY WERE ONLY OFFERING AN EXCUSE NOT TO BUY.

Not Out of the Market

Several weeks ago I sold a few bonds to a client who once in a while favors me with a small order. The day this attractive issue referred to in the foregoing was offered, I took a look at this man's card in my file and I noticed that he had bought five bonds only a week ago. At the time he said he would not have any more funds for quite a while. My first impulse, as I went through my list of telephone calls on the new issue, was to pass him by. But something told me that at least I could telephone him and give him the information since the bonds in question were priced right and the issue was one that he would like if he had funds. When I told him I remembered he had told me he would not likely be interested in any more investments for a while but that I just wanted to keep him up to date on what was being offered, he said he was glad I called, he had some additional funds that he was holding for another investment that did not materialize and he gave me an order for 10 bonds of the new issue which was completely unexpected.

There are many variations of this procedure and it pays to try and not take anything too much for granted in this business. I have lost some sizable bank orders because I did not make my telephone call soon enough, and I have obtained other orders because I tried. Creating sales is often a matter of tactful persistence, and constantly exposing yourself to business with qualified investors, meanwhile showing them investments that suit their needs and their MOODS.

In the long run YOU SELL IDEAS and the more often you expose sound investment suggestions to people who can BUY, the better will be your sales results. Keep trying—don't take too much for granted—but be tactful about it.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert E. Werner, Jr. is now affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

THE FIRST NATIONAL BANK OF BOSTON

Originally named the Massachusetts Bank, this institution received its charter in 1784, the same year in which New York's first chartered bank started business. The capital was set at $300,000, and a number of Boston individuals of substance financially subscribed to $253,500 of the $500 par value shares.

The small group of Boston merchants "and men of influence" behind the organization of the bank issued a circular stating that they had been "Taught by the experience of many nations that well regulated banks are highly useful to society, as they promote punctuality in the performance of contracts, increase the medium of trade, facilitate the payment of taxes, prevent the exportation of, and furnish a safe deposit for cash, and in the way of discount render easy and expeditious the anticipation of funds at the expense only of common interest."

The banking needs at that time were taken care of by wealthy merchants, men who accepted deposits, made loans, issued drafts on their correspondents overseas and sent out goods from the proceeds of which their promises to pay were fulfilled.

The Massachusetts Bank prospered, and by the end of the year of its organization it had paid its stockholders a 4% dividend, and resources stood at $450,000. Its success brought two other banks into Boston by 1792. In 1865 the bank surrendered its State charter and became the Massachusetts National Bank, the National Bank Act having been passed by Congress. Shortly after the turn of the century, Massachusetts National purchased the First National Bank of Boston, and adopted that name for the merged institution. The three ensuing decades brought the bank's greatest growth.

Old Colony Trust Company, the stock of which is held in trust for the benefit of the First National shareholders, conducts a well established trust business. First National operates 26 local offices, 15 in Latin America, and has a representative in London. The bank for years has emphasized the lending of funds, its security investments having been of less size. In the past several years security holdings were reduced so that funds would be available for the heavy demand for loans. There are over 22,000 shareholders. Capital now consists of 2,800,000 shares, of $12.50 par value, for a total of $35,000,000, while surplus stands at $95,000,000, and undivided profit $26,407,000.

Statement of Condition, September 30, 1957

Resources		Liabilities		
Cash in Banks	$405,905	Capital Stock	$35,000	
U. S. Gov't Obligat's	259,192	Surplus	95,000	
State & Munic. Bonds	59,273	Undivided Profit	26,407	
Fed. Res. Bank Stock	3,900			$156,407
Other Securities	14,591	Reserve for Conting.		11,974
Loans and Discounts	970,717	Reserve, Taxes, Interest, etc.		23,514
Banking Houses	6,252			
Cust. Liab. on Accept.	27,300	Acceptances		30,376
Other Assets	12,310	Deposits		1,537,169
	$1,759,440			$1,759,440

A breakdown of these assets into principal categories gives the following distribution:

Cash	23.1%	Loans and Discounts	55.2%
U. S. Gov't Obligations	14.7	Banking Houses	0.4
State and Munic. Bonds	3.3	Other Assets	2.2
Other Securities	1.1		

In 1956 loans and discounts accounted for about 62% of gross income, with but 15% coming from securities interest and dividends. The average maturity of the bank's government holdings at the end of 1956 was four years and three months.

Ten-Year Statistical Record—Per Share

	Book Value	Operating Earnings	Invested Assets	Dividend	Price High	Range Low
1947	$44.01	$3.13	$377	$2.09	48⅜	43⅜
1948	45.05	3.13	364	2.09	47¼	41⅛
1949	46.08	3.12	461	2.09	46¼	42¼
1950	47.30	3.31	482	2.09	51⅛	41⅝
1951	47.22	3.12	433	2.09	51⅛	41⅜
1952	48.30	3.30	449	2.09	50⅛	42¾
1953	49.77	3.76	451	2.69	52¾	43⅞
1954	51.28	4.06	474	2.40	59¾	48⅝
1955	54.68	4.38	486	2.70	66¼	54½
1956	57.15	5.47	483	2.85	70¼	59½

In this decade book value was higher by approximately 30%; earnings just doubled; invested assets were up about 28%; and dividends were 53% higher. At the end of 1956 the stock, then selling at about 66½, was priced at only eleven times that date's book value. In 1956 approximately 10.5% was earned on book (up almost 17% from a year earlier); and only 51% of operating earnings were disbursed in dividends.

Selling at present at the 62½-63 area, the present dividend of $2.80 plus a 25-cent extra, yields about 4.84%, a generous return on one of the country's best managed banks. With a deposit ratio of about 9.6 to 1 (consolidated) First of Boston's earnings would support a higher dividend comfortably.

Continued from first page

Income Tax Pointers for Present Security Market

will be considered here—first the individual investor, and then the corporate investor.

I

The Individual Investor

How the 25% Rule Works on Security Profits

Security profits and losses go in one of two baskets, based on the length of time the securities are owned. Six months is the dividing line. Profits and losses on securities held for more than six months (here called over-six-month profits) go in one basket. Profits and losses on securities held six months or less (here called under-six-month profits) go into the second basket.

Each basket is taxed differently. If there is a net profit in one basket and a net loss in the other, the two are netted. If this leaves a net profit in the under-six-month basket, that profit is reportable in full, in the regular way. If it leaves a net profit in the over-six-month basket, there is a two-way play, whichever gives the lower tax: (1) a flat tax of 25% of the profit or (2) reporting half the profit in the regular way.

The 25% limit on the tax becomes meaningful to individuals with more than $16,000 income. That figure becomes $32,000 if husband and wife are involved and they file a combined return. People with lower incomes pay less than a 25% overall tax. As the lowest regular tax rate is 20%, and only half the profits in the over-six-month basket need be reported, the tax on those profits for people in the 20% bracket is only 10%.

How Security Losses Are Treated

If the net results in the under-six-month basket and the over-six-month basket taken together show a loss, then regardless of what basket it comes from, the loss is deductible, within certain limits.

To illustrate: Suppose the net of all trades for 1957 is a $10,000 loss. Only $1,000 of this loss can be deducted in the 1957 return. The other $9,000 goes in the under-six-month basket for the five years 1958 to 1962, to apply against the first $9,000 of any net security profits in those years. If there are no net security profits in those years, $1,000 can be taken as a regular deduction from other income in each of the five years. That absorbs $5,000. Nothing can be done about the other $4,000. Security losses of any year can be carried forward only, not backward.

As this rule about carrying forward losses for five years has been in effect for some time, it means that losses as far back as 1952 can be used in 1957 returns, if not previously absorbed by profits.

Losses are always figured in full whether under-six-month or over. The tax savings from losses can run as high as 91%. Suppose, for example, Jones is in the 91% bracket and that in 1957 he takes a $1,000 under-six-month profit. His tax on that $1,000 will be $910. However, if he then takes a $1,000 loss on securities, whether over or under six months, that will exactly offset the $1,000 profit and wipe out the $910 tax. In other words, the $1,000 loss has saved Jones $910, or 91% in tax.

How Watching the Six-Month Line Saves Taxes

There is an obvious advantage in taking profits after a six-month holding. The tax rate than ranges from as little as 10% to a maximum of 25%. Before six months, the range is from 20% to 91%.

The six-month line also needs watching on losses, to make sure they offset the heaviest taxed profits. For example, suppose Jones has $2,000 of under-six-month profit and $2,000 of over-six-month profits. He also has an open loss of $2,000 on newly bought securities. If he waits to take the loss until after the six-month line has been passed, he must apply it against the $2,000 of over-six-month profits. That leaves him with the $2,000 of under-six-month profits to report. If he had taken his loss before the six-month period had run, it would have been applied against the $2,000 of under-six-month profits. That would have left him with the $2,000 of over-six-month profits, of which only $1,000 need be reported (with a maximum tax of $500), compared with $2,000 of regular income the other way around.

All this means alertness throughout the year. To wait until the end of the year, as is so frequently done, may let the six-month mark slip by.

How Spacing Between Years Saves Taxes

Where there are over-six-month profits and no under-six-month profits, it is an advantage to take losses in a different year from the profits, it is an advantage to take losses in a different year from the profits. For example, suppose Jones has $2,000 of open over-six-month profits and $2,000 of open losses. If he takes both in 1957, the result is zero.

If he takes the $2,000 losses in 1957 and the $2,000 profits in 1958, he is ahead of the game by a $500 deduction. It is figured in this way: For 1957, the $2,000 losses give him a $1,000 deduction and $1,000 to carry forward into 1958. This $1,000 is applied against the $2,000 of over-six-month profits in 1958, making a net profit for 1958 of $1,000, one-half of which, or $500, is reportable. Jones, therefore, has a $1,000 deduction in 1957 and $500 income in 1958, or a net deduction for both years of $500.

Jones's best bet, however, is to switch the thing the other way around and take the $2,000 over-six-month profits in 1957 and to take the $2,000 losses in 1958. By doing this, he reports in 1957 one-half the $2,000 profits, or $1,000. In 1958, he has a deduction of $1,000 of the $2,000 of losses. In 1959, he deducts the remaining $1,000 of the $2,000 losses. The net effect for the three years is a deduction of $1,000, whereas taking the losses first, resulted in a net deduction of only $500, and taking the profits and losses in the same year was merely a stand-off.

How Short Sales Can Be Used To Tax Advantage

Through a short sale it is possible to shift profits or losses from 1957 to 1958, or for that matter indefinitely. This is because of the rule that no gain or loss need be reported on a short sale until the short position is actually closed out.

Here is how the shift is accomplished: Jones has in his box 100 shares of stock that he bought in August, 1957 at 60. In December, 1957, or four months later, and when the market is 85, he goes short the stock with his broker. He can take the stock out of his box in December, 1957, and deliver it to the broker to close out the short sale. That will result in a $2,500 under-six-month profit. If he figures he is better off from a tax standpoint to push the $2,500 profit into 1958, all he need do is hold off covering the short sale until sometime in 1958. That takes it out of his 1957 return and puts it in 1958.

No matter when Jones covers, it is an under-six-month profit, because when he went short he owned the same stock for less than six months. If when he went short he owned the stock more than six months, the profit on the close-out of the short position is an over-six-month profit

How to Convert Dividends and Interest Into Capital Gains

Because of the 25% tax limit on over-six-month profits, it is natural for people in high brackets to try to get that sort of profit rather than regular income. Here is a way to accomplish this: Suppose Jones, in the 91% bracket, has 100 shares of over-six-month preferred stock that cost him $100 a share. The stock is now worth $160 a share because of an accumulation of $60 of dividends which are about to be cleaned up. If he receives the $6,000 of dividends, he will have to part with 91% or $5,460 less $240 (4% of $6,000) or $5,220.

However, by selling the stock at 160, before the ex-dividend date (that is, at least four full business days before the dividend "record" date), he gets the same $6,000, but it is now in the form of profit from the sale of over-six-month stock. His tax on the $6,000 is therefore only 25% or $1,500, instead of $5,220—a saving of $3,720. If he still wants to maintain his position in the preferred stock, he can step right back into the market after the dividend date and buy 100 shares. That puts him back to where he started stock-wise, but ahead of the game by $3,720 tax-wise.

How Wash Sales Are Treated

If an investor sells stock at a profit and then buys the stock right back, the profit is taxed. Not so with losses. There is a rule that says that no loss will be allowed on a sale if within 30 days before or after the sale the same security is bought. This is known as a wash sale. The tax effect is as if the sale never took place.

The disallowance applies to a purchase not only of the same security, but also of substantially identical securities. Accordingly, the sale of a stock and the purchase of a voting trust certificate of the same stock, or vice-versa, is under the ban. However, the loss will stand if the sale is of stock of one company and the purchase is of stock of another, even though the two companies are in the same line of business, their stock sells at the same price, and moves market-wise in the same way.

The law confines the disallowance to "securities" but some decisions hold that for this purpose, commodities are securities.

How to Identify Securities Sold

Suppose Jones buys 100 shares of stock in 1955, at 70, and another in 1956 at 80. In 1957 he sells 100 at 75. Does he have a five point profit or a five point loss? It all depends. If he delivers the 1955 certificates costing 70, he has a five point loss. If he delivers the 1955 certificates costing, 70, he has a five point profit.

He can make his own selection of certificates, and so he can control whether to have a profit or a loss.

The same result holds good if he instructs his broker at the time of the sale whether he wants to sell the 1956 block or the 1955 block. His instructions will control.

If he says nothing, and the certificates cannot be identified, the rule is that the 1955 block is sold first, because it was bought first.

II

The Corporate Investor

There are special provisions that apply only to corporate investors. For example, in the case of over-six-month securities individual investors have the choice of paying 25% of the profit or reporting one-half the profit as regular income. Corporate investors have the choice of paying 25% or reporting the full profit as regular income.

Also, while in the case of individuals, up to $1,000 of net security losses can be immediately deducted from any other income, no such deduction can be taken by corporations. All that a corporation can do with the net losses is to carry them forward for five years until absorbed by profits. If there are no security profits in the five-year period, no tax benefit is derived from the losses.

In the case of an individual, mention was made of the desirability of converting dividend income into security profits, because an individual may have to pay 91% tax on dividends (less a 4% credit.) Corporations, however, generally pay less than 8% tax on dividend income. A corporation is therefore better off with dividends than any other type of taxable income, even including capital gains.

Accordingly, while in the case of individuals, there is an advantage in selling stock before the dividend date and buying it back afterwards, in the case of a corporation it is just the opposite—there is an advantage in buying stock before the dividend date and selling afterwards.

Thus, suppose that in 1957, a preferred stock is about to pay off $60 of dividend arrearage. It is selling at 160. A corporation buys it the day before it sells ex-dividend and collects the $60 dividend. The tax on the dividend is $4.68. The corporation then sells the stock at 100. It has an under-six-month loss of $60 which it can offset against $60 of under-six-month profits on which the tax would otherwise be $31.20. The corporation therefore stands to be ahead $26.52 on the deal. (Congress is considering closing up this possibility retroactively for the year 1957.)

Timing of Year-End Sales

Year-end tax selling, whether to take profits or establish losses, is a familiar occurrence. Timing is important, or else a transaction intended to affect 1957 taxes may turn out to be a 1958 item, and vice-versa. The reason for this is the interesting rule that profits are not considered realized for tax purposes until the securities sold are delivered to the buyer. Losses, on the other hand, are deemed to be sustained when the sale is made on the floor of the exchange, regardless of the time of certificate delivery.

As the various exchanges in New York have a four business-day delivery rule, this means that the latest day to take profits for inclusion in 1957 returns is Dec. 24. Securities sold on the next business day, Dec. 26, will not be delivered until Jan. 2, 1958 and the profit will therefore be a 1958 item. Between Dec. 26 and 31, securities can be sold for "cash" instead of the regular four-day delivery, and in that way profits can still be established for 1957. In the case of losses, they can be taken by sales made right up to the end of the year.

The rules just described apply to taxpayers who make their returns on the basis of cash coming in as distinguished from amounts owing to them. The technical name for the distinction is the cash basis as against the accrual basis. Taxpayers on the accrual basis can take profits or establish losses for 1957 by sales right through Dec. 31.

Railroad Securities

Union Pacific Railroad Co.

Union Pacific Railroad Co., as one of the strongest railroads financially in the country, has been able to maintain net income despite a drop in operating income. "Other income," which is earnings from investment and its oil and gas properties, have shown a gain this year as compared with 1956.

For the first nine months of this year, other income aggregated $59,241,786 as compared with a total of $58,680,758 in the like period of last year. On the other hand, net operating income was $27,700,368 as compared with $31,666,730 in the first three-quarters of 1956. The big increase in income came from a net from oil and gas which in the period this year amounted to $22,198,619 against a total of $19,176,822 in the year ago period.

This other income enabled the road to report a total net income of $55,425,643 for the nine months which was equivalent to $2.36 a common share on the 22,229,100 shares outstanding. This compares with a net income of $54,799,233 or $2.33 in the like period of a year ago. This net income is after all taxes and charges and preferred dividend requirements for the period.

Carloadings of the Union Pacific System, like those of the other carriers serving the territory, were down during the month of October. For the week ended Oct. 26 revenue freight carloadings recorded a decline of 4.3% from the like 1956 week. For the first 43 weeks of this year loadings amounted to 1,422,000 cars as compared with an aggregate of 1,459,000 cars in the like period of 1956.

Currently rail traffic in the district served by Union Pacific is believed to be running under a year ago, which probably will mean a decline in freight revenues in the month of November from last year. However, it is likely that revenues from other sources will continue to be well maintained. Union Pacific is believed to have vast holdings of iron ore on its property in Wyoming, according to preliminary explorations. When this property is developed it should add considerably to earning power. It will be able to serve the West Coast steel mills with fairly short haul iron ore and also is expected to be a valuable source of titanium.

Despite higher wage rates this year than last, this carrier has been able to keep expenses under a high degree of control. The operating ratio for the first nine months was 74.5% as compared with 73.4% last year and the transportation ratio was 34.6% against 34.1%. A large part of the control over operating expenses has been to a stepped up progress of dieselization as well as the installation of a number of new gas-turbine engines. This has brought about a better utilization of power as well as a substantial reduction in fuel costs.

Another major factor has been the modernization of freight yards which has expedited the movement of trains, bringing about better and faster service to shippers and at the same time reducing operating costs. Further installations of new electronic yards are planned for the future.

Union Pacific has been granted permission by the Interstate Commerce Commission to acquire control of the Spokane International Railway Co. through an exchange of stock. This should further add to operating earnings through consolidation of the facilities of the two railroads. The Commission granted this merger over the objections of the Great Northern Railway and also the Canadian Pacific.

As of July 31, 1957, cash amounted to $42,659,829 and temporary cash investments were $61,765,195. This compared with cash of $40,240,492 and temporary cash investments of $55,314,714 at the end of July, 1956. Net current assets (current assets less current liabilities) at the end of the period totaled $85,532,388 against a total of $90,729,886 at the end of the 1956 period. It is interesting to note that funded debt due within six months amounted to only $1,977,000 as compared with the same amount a year previously. This indicated the road does not have heavy equipment trust maturities to meet in the future for which the majority of the railroads are liable over the coming years. Most of its new equipment, excluding motive power, has been constructed in its own shops and while some has been capitalized, the majority has been charged off to operating expenses.

Donald Sloan Adds

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Kent C. Dorwin has been added to the staff of Donald C. Sloan & Co., Cascade Building.

With Marshall Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—Edward J. Mau is now with The Marshall Company, 765 North Water Street. He was formerly with First Securities Company of Manitowoc.

Forms Gerard Secs.

FOREST HILLS, N. Y.—Gerard Gersen is engaging in a securities business from offices at 110-45 Queens Boulevard under the firm name of Gerard Securities Co. Mr. Gersen was formerly with Joseph Faroll & Co. and Henry Montor Associates.

Gordon F. Brown Opens

MIAMI, Fla.—Gordon F. Brown is engaging in a securities business from offices at 4021 Northwest Sixth Street.

Joins Paynter Staff

(Special to The Financial Chronicle)

FT. MORGAN, Colo. — Edward H. Heidbrink has joined the staff of Paynter and Company, 114 East Kowa Avenue.

Paine, Webber Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—M. Allen Ruby has been added to the staff of Paine, Webber, Jackson & Curtis, Union Commerce Building.

With Mountain States

(Special to The Financial Chronicle)

DENVER, Colo. — Maurice M. Swank has been added to the staff of Mountain States Securities Corporation, Denver Club Building.

Attend Coast Exchange Anniversary Lunch

L. to R.: William H. Agnew, Chairman of the Board of Governors, Pacific Coast Stock Exchange; Robert A. Magowan, Chairman of the Board and President, Safeway Stores, Incorporated; Ferdinand C. Smith, Resident Partner, Merrill Lynch, Pierce, Fenner & Beane, leaving floor of S. F. Division, Pacific Coast Stock Exchange.

SAN FRANCISCO, Calif. — In recognition of the 75th anniversary of the founding of the Pacific Coast Stock Exchange's San Francisco Division, Safeway's President and Chairman Robert A. Magowan attended the anniversary luncheon at the San Francisco Commercial Club and afterward visited the floor of the exchange in company with William H. Agnew, Chairman of the Pacific Coast Exchange and Ferdinand Smith, Resident Partner of Merrill Lynch, Pierce, Fenner & Beane.

As Safeway shares have become an increasingly important investment medium in the West, Safeway recognizes the usefulness of the exchange and the exchange recognizes this company's shares as an increasingly important item in its business. Both institutions are products of the West and both are daily assuming more vital roles in the West's economy. Both, too, have grown from very small beginnings, the exchange having been born in the backroom of Wohl & Pollitz basement office back in 1882.

The exchange's progress was slow in early years and did not really get rolling until the 1920's. Today, the Pacific Coast Stock Exchange is the second largest regional exchange in the United States.

The Pacific Coast Exchange is unique among the world's financial institutions in that it operates simultaneously two trading floors 400 miles apart (San Francisco and Los Angeles). This is made possible by a remarkably complex telephonic installation which brings the two trading floors in instantaneous communication. This renders a definite public service in providing a wider and more stable market for those why buy and sell.

Serving the fastest growing area in the United States and one that already is the source of an estimated 10% of the total volume of all registered national securities exchanges, the consolidated Pacific Coast Exchange approaches the end of its first year of operation (the San Francisco and Los Angeles Stock Exchanges were consolidated Jan. 2, 1957) with great confidence in the future. The Exchange's transactions for the first six months of 1957 totaled $329,405,948, which is at the rate of $630,000,000 a year. If California makes half the progress forecast for it in the next 20 years, the Exchange will occupy a truly imposing position in the financial world.

President Magowan, having spent 17 years with Merrill Lynch, in which he became a partner, is naturally familiar with the operations of stock exchanges and the work they do in providing a market for securities and in speeding up the financing of large corporate enterprises.

With W. E. Hutton Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—David H. Carter is now with W. E. Hutton & Co., First National Bank Building.

Westheimer Adds to Staff

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Robert A. Conger has been added to the staff of Westheimer & Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Joins Lawrence Cook

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Joseph H. Ternes has joined the staff of Lawrence Cook & Co., 1940 East Sixth Street, members of the Midwest Stock Exchange. Mr. Ternes was formerly with Cosgrove, Whitehead & Gammack.

With Eastman Dillon

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Raymond W. Rooney, Jr. is now affiliated with Eastman Dillon, Union Securities & Co., National City East Sixth Building. He was formerly with Gottron, Russell & Co., Inc.

With Goldman, Sachs

(Special to The Financial Chronicle)

TOLEDO, Ohio — Robert D. Johnson is now connected with Goldman, Sachs & Co., Mr. Johnson was formerly with Hayden, Miller & Co., as Toledo representative.

With June S. Jones Co.

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Dennis R. O'Neel is now affiliated with June S. Jones & Co., U. S. Bank Building.

Continued from first page

Our Economy's Performance —Today and Tomorrow

economy is operating at the highest levels in history. The total amount of goods and services being produced—our Gross National Product measured in constant prices — is greater than ever before. On a seasonally adjusted basis employment and output per man hour—the productivity of labor—are also at record levels. The small declines in industrial production since the first of the year have been more than made up by increasing output and employment in other sectors. The additions we are making to our plant and equipment and capital stock generally, and consequently to our ability to handle future increases in demands for output, are the largest on record.

But while the over-all levels of economic activity have been breaking new ground, signs of apparent weakness have been appearing in increasing number. I need only mention a few. Manufacturers' sales generally have been falling not rising since the first of the year. Industrial production has been cutback by about 2%, but inventories have continued to rise almost without interruption. New orders have declined more than current sales and order backlogs are dwindling. Hours of work and overtime have been falling, particularly among durable goods manufacturers. Such other important measures as new orders for machinery and equipment, and contracts for heavy construction have been falling sharply. Profit margins have narrowed, and quarter by quarter, the rate of increase in real gross products and in business capital expansion have been declining.

At the same time, we know that the number of new products being introduced, the number of markets being opened up—and still more basically, the pace of business outlays on research—are accelerating rapidly. We also know that the size of our population, and consequently the size of our potential market, not only has been growing by increasing amounts each year but is almost certain to continue to do so for some time to come.

In the face of these cross currents it is entirely understandable that there is a big question in everyone's mind whether we have really reached the crest of the present upward movement with an imminent decline in prospect—and if so and for how long and severe the decline will be — or whether we have simply reached a plateau that is a pause in a basically continuing upward movement. A quick review of how far we have come in the present upswing of business activity and especially what the basic stimulants have been will provide a useful background for considering these questions. It will also help to explain important movement in prices, interest rates and money markets which have caused much concern.

How Far Have We Come?

In the three years since the trough of the 1954 recession our output of goods and services has increased by $80 billion or over 20%, before allowance is made for increasing prices. Even at stable prices the increase has been about $54 billion or more than 15%. Industrial production alone rose from an index of 123 to 147 at the beginning of this year—a rise of nearly 20%—and is still up nearly 17% from the previous low. Overall, this stands as one of the largest and one of the longest upswings on record.

The record is clear that this has been a boom in business capital outlays and in state and local government expenditures. Consumer spending has pretty much tagged along. To be sure the $44 billion increase in consumer goods has been the largest single item in the over-all expansion in the Gross National Product, but this only reflects the basic place of the consumer in the economy. Apart from a brief flurry in 1955, consumers have about the same fraction of the national output, and the increase in their spending has just about matched the growth in their incomes percentagewise, while it has fallen behind in dollars. Contrary to common impressions, consumers have been saving more, not less. But while consumers have been increasing their dollar spending only 17% in the last three years, business spending for plant and equipment has increased 35% and state and local outlays nearly 30%. Not only have the increases in these sectors been relatively very large, they have continued to provide a stimulus throughout the upswing: capital outlays of business and state and local expenditures have expanded in every one of the last twelve quarters.

In contrast the support from other sectors has not been so well sustained and has generally been very much smaller. In view of the great public debate and frequent misleading statements over the last year, we should particularly note that Federal outlays on currently produced goods and services are up only 3% as against three years ago and are actually smaller if allowance is made for rising prices. (The much booted increases in Federal expenditures have been on other outlays which have a much more indirect effect on business conditions.)

An increase of about $5 billion in the rate of net foreign investment, also provided an important stimulus in the last year when other sectors were slowing their advance, but contributed little in the earlier stages of the upswing. Residential construction surged ahead smartly for a time under the stimulus of the 1954 Housing legislation, but for nearly two years has been progressively falling behind. Inventory accumulations provided a major stimulus to the expansion until about a year ago, but this increase was largely a secondary response to the increasing volume of sales and output generated elsewhere, and has weakened notably since the first of the year.

Capital Spending Boom

The fact that this has primarily been a boom in business capital expenditures and state and local outlays goes far to explain the changes in prices and interest rates that have occurred. Population pressures and the pressing demands for new schools, highways and other local facilities, together with the backwash of rising wages and costs generated elsewhere, led almost inevitably to relatively large and continuing increases in state and local outlays. These projects required heavy drafts on the capital markets, and the pressure for these facilities was so great most projects went through in spite of rising costs. At the same time many firms still needed more capacity to satisfy demands for their existing products, and much additional investment was needed to open new markets and supply promising new products. It also appears that many firms which had held a tight rein on their capital budgets through fear of a serious postwar depression and unwillingness to bring in outside capital loosened up after the 1954 recession proved to be as minor as 1949. Where standards were not lowered, given prospects were viewed more optimistically. For these and other related reasons, business firms increased their capital budgets substantially even when this would require large amounts of outside capital.

The pressure of these demands on existing facilities and materials supplies was so great that prices moved up sharply in these sectors. This increase in product prices and profits that normally follows major increases in demand and the insistent push for still more output to satisfy these demands led management to be willing to grant wage increases greater than increases in productivity. These primary increases in wages and materials prices then gradually worked themselves through other sectors, where the pressure of demands was not as strong and the increases in productivity were substantially smaller. In this way a strong "cost-push" pressure for price increases spread throughout the economy. The big upward push in industrial prices came in 1954 and 1955, wholesale prices in general followed in late 1955 and 1956. Consumer prices were virtually stable until about the middle of last year but since then have gradually moved up under the pressure of increasing costs. These increases in the cost of living—the price index at the consumer level—are still continuing.

Money Cost Increase

This same primary pressure to expand our stock of plant and equipment and other real capital similarly goes far to explain what has been happening in the money market. The up-surge of business capital expenditures following 1954 started with business firms generally in a very liquid position and with both profits and depreciation accruals rising. The increase in outlays was so great, however, that liquidity positions progressively tightened and increasing drains on the capital markets had to be made even in 1955, while internal fund flows were still favorable. With business booming and inflationary pressures growing, the Federal Reserve properly retarded growth in bank credit, and interest rates progressively increased under the pressure of demands for funds in excess of currently generated supplies. 1956 and 1957 have seen still larger increases in the costs of money as capital outlays continued to increase in the face of narrowing profit margins, stable or weakened internal flows of funds and a consequent sharp increase in dependence upon the capital markets. During this period, incidentally, it should be noted that the federal government has been happily running a cash surplus and has been a net supplier of funds, apart from seasonal movements in and out of the market. The federal debt held by the public was $9 billion lower at the end of June 1957 than it had been two years previously. Nonetheless, in spite of this assist from the fiscal operations of the government, the net result of this surging demand for funds to finance capital outlays has been one of the sharpest and longest maintained increases in the cost of money on record.

These increases in the costs of money and reduced availability of outside capital have clearly slowed the rate of capital spending, but as usually happens, they have taken hold with a considerable time lag. There is always a substantial lead time between decisions to spend and the actual outlays. Approvals of appropriations in a capital budget will be made from three months to as much as two or three years before the actual expenditures get made and the facilities are in place. Equally important, most large firms will generally plan to arrange financing well in advance of the actual outlay—often from six months to well over a year ahead. Both these lead times, as well as the gradual tightening of the money market, are reflected in the gradual tapering off in the rate of growth in capital spending which has been occurring now for well over a year.

Pending Economic Picture

What now of business prospects for the next six to twelve months? It is clear the business outlays on plant and equipment will not provide any further stimulus to general business activity during this period. The stimulus from business investment for expansion in other sectors of the economy depends on the rate of increase in such outlays, not on the specific level itself even if maintained. This stimulus has clearly been weakening for a period of over a year under the delayed impact of credit restrictions, thinning liquidity positions among firms of all sizes in most industries, narrowing profit margins, and increasing evidence that capacity was reaching—and in increasingly numerous instances substantially exceeding—desired levels in relation to current demands for output. Indeed, the evidence on these things a year ago was sufficiently clear that many of us were even then—allowing for the lead times involved — predicting some small decline in capital spending during the latter half of 1957. Recently released surveys of business plans for capital expenditures in the third and fourth quarter now confirm this expectation. The accumulating evidence of the same kind over the last year now justifies a judgment that capital spending will continue to decline at least through the first half of 1958, and this judgment is again confirmed by the National Industrial Conference Board's most recent survey of capital appropriations. This survey for the first time shows a decline both in the dollar volume of projects currently being approved and in the backlog of unexpended appropriations.

Governmental Spending

Unless the possible increase in federal military spending in the light of Sputnik and other recent international developments changes the outlook for these expenditures, it seems probable that the current rates of capital spending by business firms will be perhaps $2 billion lower a year from now than they are currently. The over-all declines in capital spending are not likely to be much larger than this because the volume of current work in process is very large and runs off slowly. Also, some important capital using industries like utilities will be increasing their outlays and others will be cutting back less than most manufacturing industries. It is worth noting that in both 1949 and 1954 capital spending did not fall by as much as 10% in any less than 18 months. Sharper cutbacks are of course possible, but they are not probable at the present time.

State and local outlays, however, are almost certain to increase by about this same amount and the net effect of changes in these two sectors together within the next year is likely to be small.

Housing Outlook

Residential construction has stabilized over the last half year and should show some moderate improvement within the next twelve months. Terms on FHA loans have recently been made more attractive both to lenders and borrowers, and even if there is no change in the over-all credit picture the anticipated reduction in the demands of business firms for funds should improve the supply of funds for mortgage credit.

Net foreign investment in the first half of this year was at the unusually high level of some $4 billion at annual rates. This level largely reflected a set of unusual circumstances, notably the backwash of the Suez crisis and extraordinarily large demands abroad for our exports. In the light of the growing balance of payment problems, currency difficulties, and increasingly strenuous efforts to control internal inflation in many of the countries which provide our principal markets abroad, it is very unlikely that these high levels can be maintained. A reasonable judgment would be that our net foreign investment is likely to decline (at annual rates) by some $2 billion. Any such decline would be just as depressing to the economy as a similar size of decline in domestic capital outlays.

Business investment in inventories has been at a much slower pace this year than last — an annual rate of about $2 billion in contrast to $4 or $5 billion. Under the continuing pressure of restricted availability of credit, stable or declining sales in the manufacturing sector, and progressively smaller backlogs of orders, some moderate liquidation of inventories must probably be expected within the next year, assuming no serious war scares. In most industries current inventories are not greatly out of line with sales, and the extent of the absolute reduction should be moderate. Nevertheless the shift from accumulation of inventory stocks at a rate of plus $2 billion to a position where inventory stocks were merely being maintained would have a primary depressing effect on general business equal to that of a full $2 billion decline in final purchases.

Consumer Expectations

The most recent survey evidence indicates that consumer buying intentions remain at a very high level in over-all terms. Expectations for purchases of durables of course do not match those shown in the buying spree of 1955 but the more moderate levels of 1956 and 1957 are generally being maintained, and total spending on soft goods and services should continue to increase roughly in line with any further increases in incomes and population. In addition to the evidence from surveys of consumer buying intentions, we may note the continuing strength of retail and department store sales and the continuing growth in total consumer spending this year as well as last, as incomes have continued to rise. Over the rest of this year consumer spending should show some further increase in total and help to sustain general levels of business through the fourth quarter.

Conflicting forces will come into play in 1958. Some increase in consumer incomes will come from increases in wages that have already been negotiated and are in present contracts. At the same time reduced hours of work and smaller amounts of overtime will have a depressing effect, as will the reductions in incomes for consumers being generated by the declining volume of expenditures in the other sectors already discussed. The pressures for increased expenditures on soft goods and services, however, remain very strong and total consumer spending should be well maintained if not somewhat increased in the first part of 1958. Among other things we should note that outlays on non-durable goods have been running about four times as large, and consumer outlays for service industries have been running about three times as large, as expenditures on durable goods other than housing. Expenditures on services have shown a more persistent increase over a longer period of time than any other economic series we know of—these outlays have increased quarter by quarter in every one of the last 13 years

—and there is no reason to expect them not to do so within the next year. Similarly, non-durable goods expenditures are strongly affected by population increases, and these are also secure for some time ahead. For these and related reasons I am expecting that total consumer expenditures will be reasonably stable or somewhat higher than in the next few quarters even it consumer incomes are not fully maintained at their present levels.

Fiscal Impact on GNP

So far I have not mentioned the Federal budget. What I have said so far leads to a conclusion that if the level of Federal expenditures on goods and services and tax rates are unchanged from present levels, a moderate decline in the level of real Gross National Product and total business activity would have to be expected in 1958 if my other judgments are accepted. Since past increases in wages, labor costs and material prices have not yet been fully reflected at the consumer level, some further increase in consumer prices must be expected over this period even though some general recession is in prospect. The decline in the current money value in the Gross National Product will be somewhat less than the drop in real terms, but the decline in FRB index of industrial production can be expected to be somewhat greater, (because of the increasing importance of the service industries and other sectors whose activity is not included in that index.)

Up until a few weeks ago I would have said that some decline in Federal outlays on goods and services would have to be expected, and any such development would have been a further depressing factor in the outlook in the absence of prompt and completely offsetting tax reductions. Until very recently there could be little doubt of the vigor and seriousness of determination of the Administration and the Congress to reduce these outlays. In the quarter just ended, for instance, defense spending was running at an annual rate of between $40 and $41 billion. Yet the revised budget estimates released early in October showed expenditures for the whole fiscal year ending next July 1 at only $38 billion. A reduction in the current rate of spending of considerably more than $3 billion at annual rates would have been required in order to realize this target for the entire year, even though the target never seemed obtainable to many of us. Somewhat smaller reductions of perhaps $2 billion seemed more likely to be realized.

Changed International Position

The awesome spector of Sputnik overhead and the growing realization of the deterioration of our international position and the increasing threat to our military position has substantially changed the picture. A firm determination to recover lost ground is going to require more vigorous leadership, imaginative and realistic planning, less inter-service rivalry and cluttered administrative red tape — and more money. The days when we can afford to cut our provision for national security and survival to particular nice round numbers for debt ceilings and to particular figures set by budgetary considerations under existing tax rates, are over—if they ever existed. I am in no position to judge how much is really needed, but as an economist I am sure that the American economy and the American people are strong enough to provide the sinew that may be required for our national security, and that doing so will not weaken the economy over the long haul. Perhaps I have more confidence in the soundness and strength and vitality of the American economy than some others, but that is my firm judgment.

The effects of any change in Federal security programs upon business prospects within the next year may be briefly outlined. First of all rescinding cuts and cancellations in contracts will eliminate reductions in activity that otherwise would have occurred. Issuing new contracts will lead to new orders by private business for personnel, materials and even plants. A large part of the effects of such increases on private business would be felt even before the Federal funds themselves were spent. This much alone would improve prospects for business conditions for next year. There would also be some increase in actual Federal spending on goods and services which would further stimulate business activity. I note these effects because they are immediately germane to the subject of my analysis, even though it is clear that the purpose of such changes in the Federal budget lies in overriding grounds of national security and not in shortrun fiscal action to offset a change in business conditions. Apart from security considerations, the latter purpose could be served certainly as well and probably very much better by tax reductions which are now out of the question.

Summary

On balance then it appears that business generally will continue on a reasonably even keel through the end of this year, with some downturn probable in the first half of 1958. In over-all terms, these declines should be moderate, however, in the light of probable step-ups in Federal spending, over the levels contemplated only recently. There will, however, be off-setting trends in different sectors, and consumer prices should continue to rise fractionally. There is no prospect of major changes in the supplies of savings or in over-all demands for funds over this period, with some reduction in business demands for outside capital being offset by increases in residential mortgages and perhaps Treasury borrowing. The Federal Reserve can be expected to maintain roughly the existing degree of credit restriction through this period and no major changes in either short- or long-term interest rates are probable.

Joins I. M. Simon

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Charles J. Lerner has joined the staff of I. M. Simon & Co., 315 North Fourth Street, members of the New York and Midwest Stock Exchanges.

First Southern Adds

(Special to The Financial Chronicle)

ATLANTA, Ga. — Reuben A. Braswell is now connected with First Southern Corporation, Peachtree at Ponce de Leon.

Joins Harris, Upham

(Special to The Financial Chronicle)

ATLANTA, Ga. — Herbert A. Krumbein has become affiliated with Harris, Upham & Co., 26 Pryor Street, Northeast.

A. C. Allyn Co. Adds

(Special to The Financial Chronicle)

PEORIA, Ill.—F. Ward Culver, Jr. has been added to the staff of A. C. Allyn and Company, Incorporated, First National Bank Building.

Joins Allan Blair

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert G. Walsh has joined the staff of Allan Blair & Company, 135 South La Salle Street.

Paine, Webber Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Benjamin V. Finson is now with Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is evident that the tone of the Government bond market is considerably improved with reports that volume and activity has expanded in a moderate way. Investors, according to advices, have been buyers of the intermediate and longer-term Treasury obligations in not too large amounts, but in size enough to have a noticeable effect on quotations in a still rather thin market. The fact, also, that owners of these issues are more reluctant in letting securities out at the current levels of prices is important in the favorable market action of Governments.

The short-term Government market continues to be on the strong side, with more funds seeking a temporary haven in the most liquid Treasury obligations. Last week the Treasury Bill rate was under the discount rate for the first time in more than two months. It is expected that the refunding and new money raising terms and the securities to be used in this operation will be made public very soon.

Bank Loans Continue Light

The Federal Reserve System, last week, was a substantial buyer of Treasury bills, but this was considered to be pretty much of a normal seasonal development. In November and December, the Central Banks are usually very sizable buyers of Government obligations in order to provide the member banks with funds to finance the needs of agriculture, commerce and industry. As against this, the loan demand of the New York City member banks continues to be light for this time of the year. Moreover, for the week ended Nov. 6, business loans registered a decline of $27 million. Since the first of the year, these loans have increased only $129 million, whereas for the same period of 1956 they rose by $1,322 million.

The loan trend is being watched very closely by money market specialists, because the failure to register any material increase could mean that the decline in business is being accelerated. Moreover, such a development, most certainly will in time bring about not only ease in the money market, because of the lessening demand for funds, but also a change in the restrictive monetary policies of the powers that be.

"Professional" Buying Based on Expected Credit Ease

The opinions are very strong in some quarters of the money market that the very tight money policy of the monetary authorities will be relaxed gradually, and this means a favorable climate for fixed income bearing obligations. It is being reported that the volume and activity in all bond markets has increased, especially in the Government sector, where some of the professionalism has given way to what is being termed "real" investment buying. So far these purchases have not been made on a "wholesale" basis, but they are larger than has been true for quite a period of time. Up to now, there have been no glowing indications of position building in Treasury obligations, although there are evidences that selected issues in the list are being looked upon with considerable favor among traders and dealers in these securities.

New Money and Refunding Terms Awaited

The optional call obligations, namely the 4s of 1961 and 1962, continues to move into strong hands, and this is in spite of some reports that there might be an offering of a similar type of obligations in the impending refunding and new money raising operation of the Treasury. As against this, there are those who believe there will be no offering of optional call obligations in the new money raising and refunding venture by the Government. It should not be long before the answer is known to this one, because it is expected that the kind of securities that will be used in this operation will be announced either late today or tomorrow.

Reports continue to indicate that money is still being taken out of the equity market and being reinvested in short-term Government issues, mainly Treasury bills. Some of this money is also being put to work in Treasury notes.

Corporate Bond Market Acting Well

The corporate bond market is acting well in spite of the large overhang of the unsold part of the American Telephone and Telegraph bonds. Recently offered new issues of corporate bonds have, in most instances, been well received. This means that the institutional investors are being attracted to issues that have a yield which meets their needs. Measured against the return on long-term Government bonds, the yield on non-Treasury new issues is still more favorable.

With A. G. Becker

(Special to The Financial Chronicle)

CHICAGO, Ill. — A. Robert Mages is now associated with A. G. Becker & Co. Incorporated, 120 South La Salle Street. He was formerly with Arthur M. Krensky & Co., Inc.

With Webber, Simpson

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harry L. Sauer has been added to the staff of Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

Joins Bankers Bond

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—Clarence G. Taylor has joined the staff of The Bankers Bond Co., Inc., 237 South Fifth Street.

Rejoins Clayton Secs.

(Special to The Financial Chronicle)

BOSTON, Mass. — Arthur V. King has rejoined the staff of Clayton Securities Corporation, 79 Milk Street, members of the Midwest Stock Exchange. Mr. King who has been in the investment business in Boston for many years was recently with New York Hanseatic Corporation.

Joins R. B. Sideckas

(Special to The Financial Chronicle)

SHREWSBURY, Mass. — Ingrid Cannon, formerly with Gibbs & Co., has joined the staff of R. B. Sideckas & Co., 47 North Quinsigamond Avenue.

With Corey Nelson

(Special to The Financial Chronicle)

DENVER, Colo. — Richard B. Nesbitt is now with Corey-Nelson Investment Co., 1575 Sherman.

Chase Manhattan Group Offers $36.5 Million New York City Bonds

The Chase Manhattan Bank is manager of an underwriting syndicate which is offering $36,500,000 New York City School Construction and Various Municipal Purposes 3.60% (serial) bonds, due Nov. 15, 1958 to 1972, inclusive. The group won award of the bonds on its bid of 100.4549 for the 3.60s, representing a net interest cost of 3.54859% to the city.

The bonds are priced to yield from 2.60% to 3.54%, according to maturity.

Participating in the offering are —Chemical Corn Exchange Bank; Manufacturers Trust Company; Barr Brothers; Blyth & Co., Inc.; Harris Trust and Savings Bank; Hornblower & Weeks; Carl M. Loeb, Rhoades & Co.; Merrill Lynch, Pierce, Fenner and Beane; J. P. Morgan & Co., Inc.; The Northern Trust Company; Philadelphia National Bank; R. W. Pressprich & Co.;

Hallgarten & Co.; Swiss American Corporation; B. J Van Ingen & Co., Inc.; Baxter & Company; Ernst & Co.; Federation Bank & Trust Company; First National Bank in Dallas; Gregory & Sons; E. F. Hutton & Co.; Wm. E. Pollock & Co., Inc.; City National Bank & Trust Company, Kansas City;

The Robinson - Humphrey Co., Inc.; Sterling National Bank and Trust Company of New York; Stern Brothers & Co.; Trust Company of Georgia; Robert W. Baird & Co.; Blunt Ellis & Simmons; Burns, Corbett & Pickard, Inc.; Courts & Company; Fahey, Clark & Co.; Folger, Nolan-W. B. Hibbs & Co., Incorporated; Mason-Hagen, Inc.; Pacific Northwest Company; Peoples National Bank of Charlottesville;

Piper, Jaffray & Hopwood; Ryan, Sutherland & Co.; Schaffer, Necker & Co.; Schmidt, Poole, Roberts & Parke; Singer, Deane & Scribner; Stein Bros. & Boyce; Wachovia Bank & Trust Company; Yarnall, Biddle & Co.; Continental Bank & Trust Company, Salt Lake City; First Security Bank of Utah; Prescott & Company; Stone & Youngberg.

Three With Mt. States

(Special to The Financial Chronicle)

DENVER, Colo.—Roy R. Newsom, John B. Sandstead and H. D. Thompson have been added to the staff of Mountain States Securities Corporation, Denver Club Building.

Transcontinental Gas Pipe Line Debentures And Stock Offered

Public offering of $20,000,000 of 6⅛% debentures, due May 1, 1978, and 1,000,000 shares of common stock of Transcontinental Gas Pipe Line Corp. is being made today (Nov. 14) by two underwriting syndicates, both jointly managed by White, Weld & Co. and Stone & Webster Securities Corp. The debentures are offered at 99.50% and accrued interest, while the common stock is priced at $17.75 per share.

Net proceeds from the financing will be used by the company to repay all notes outstanding under a credit agreement with six banks, and the balance will be added to the general funds of the company to be available for construction. The company estimates that it will spend approximately $60,000,000 in completing construction work scheduled as of Aug. 31, 1957. Upon completion of this work the daily allocated capacity of the company's system will be increased from 753,550,000 cubic feet to 969,917,000 cubic feet.

Purchasers of the additional common shares will be entitled to receive a 10% stock dividend which was voted by the company's directors at a special meeting on Oct. 16, 1957. The stock dividend is payable on Dec. 30 to holders of record Dec. 16.

Transcontinental Gas Pipe Line Corp. owns and operates an inter-state pipeline system for the transportation and sale of natural gas. Its main pipeline system extends 1,842 miles from the Texas and Louisiana Gulf coast to the New York-New Jersey-Philadelphia metropolitan area. Applications for increasing the present allocated capacity to 969,917,000 cubic feet per day, exclusive of gas available from storage have been filed with the Federal Power Commission. In addition another application was filed with the FPC in October for further expansion of facilities designed to ultimately increase the company's total allocated capacity to 1,145,-000,000 cubic feet of natural gas daily. It is estimated that the cost of this proposed additional expansion will be $139,000,000. The company's gas sales, including deliveries from storage for the 12 months ended Aug. 31, 1957, totaled approximately 247.1 billion cubic feet, of which amount sales for resale totaled approximately 235.5 billion cubic feet and direct sales to industrial customers totaled around 11.6 billion cubic feet.

For the 12 months ended Aug. 31, 1957 the company had operating revenues of $92,587,880 and net income of $14,599,018.

Public Utility Securities

By OWEN ELY

Kansas Utilities are Making Good Showing

While Kansas has not been noted as a "growth" area, nevertheless, the State has prospered in the postwar period with a substantial gain in industrial development, and this is reflected in a favorable record for the three electric-gas companies which service the greater part of the State. While these companies have shown better-than-average gains in share earnings in recent years, they sell at price-earnings multiples which are quite reasonable as compared with the industry average around 13, as indicated in the table.

	Kansas City P. & L.	Kansas G. & E.	Kansas P. & L.
Recent Approximate Price	36	26	23
Approximate Price Range	40–33½	33–25	26–22
Dividend Rate	$2.00	$1.32	$1.30
Approximate Yield	5.6%	5.1%	5.6%
Recent Share Earnings	$2.93	$2.34	$2.08
Percent Increase over 1956	5%	9%	6%
Increase in Share Earnings since 1951	55%	65%	64%
Price-Earnings Ratio	12.6	11.1	11.1
Dividend Payout	70%	56%	63%
Approximate Common Stock Equity	34%	29%	31%
Moody Mortgage Bond Rating	Aaa	A	Aa

Kansas City Power & Light, the largest of the three companies, supplies electricity to a population of 750,000 in Kansas City, Missouri, and neighboring communities in Missouri and Kansas. Kansas City, a rapidly growing city, supplies over 80% of the business, it is estimated. In recent years the city has benefited by new bridges across the Missouri River, new highways, and other civic improvements.

Electricity contributes about 93% of revenues and gas 6%. The company's three power plants have an aggregate maximum generating capability of 728,200 kw. A 175,000 kw unit will go on the line around mid-1958, and another is scheduled for operation in 1960, increasing capacity about 48%.

In the first half of 1957 the company's kwh sales were nearly 7% over last year despite some loss of business as the result of sale of the company's Iowa properties on May 29, 1957. Iowa properties had accounted for over 10% of revenues. While on an over-all basis weather was not very favorable, the company experienced a further substantial increase in peak loads this summer due to greater use of air-conditioning equipment. A temporary load of 713,000 kw was reached, an increase of almost 17% over the 1956 summer peak and 40% greater than the previous winter peak. The company is anxious to reduce the spread between summer peak and demands in other seasons. A new residential service rate has been placed in effect to encourage increased use of electricity for space heating, etc. The company suffered a brief strike over a wage issue this summer, but operations were maintained without interruption.

Kansas Power & Light serves a population of over 650,000 in eastern and central Kansas, where 259 communities (including Emporia, Topeka and Leavenworth) are served with electricity, 63 with gas and 49 with both. There is also a substantial amount of wholesale electric service. The area has been largely rural, but the development of oil and natural gas resources together with excellent transportation facilities have resulted in rapid growth of new industry in the postwar period. Three major companies began construction of new multi-million dollar installations in the company's area this year, including a cellophane manufacturing plant, a jet and guided missile fuel refinery, and a ribbon factory.

The company's revenues are about two-thirds electric and nearly one-third gas. Electric generating capacity at the end of 1956 was 379,000 kw, compared with peak demand of 352,000 kw; however, the company placed a new 90,000 kw unit in test operation in September after a considerable delay in getting parts.

Kansas Power & Light's recent share earnings have shown improvement over last year despite relatively unfavorable weather for natural gas heating, which was down nearly 18% in the second quarter.

Kansas Gas & Electric supplies electric service to 143 communities at retail and 12 communities at wholesale in southeastern Kansas, population of the area being about 466,000. Principal cities served are Wichita, Newton, El Dorado, Pittsburg, Independence and Arkansas City. The area is mainly agricultural, but coal, oil and gas producing and processing are important. Leading industries are aircraft, light metals, chemicals, cement, flour milling and meat packing.

The metropolitan Wichita area, from which the company obtains about 60% of its revenues, has enjoyed substantial industrial development in recent years. Three important aircraft producers—Boeing, Beech and Cessna—are currently expanding their operations. (While the "stretch-out" of the Air Force contract for the B-52 Boeing airplane will mean a slight reduction in recent peak employment, it insures a longer period of high employment under the current Air Force contract.) The chemical industry, which has come into this area in recent years, is reported to have increased its use of electricity rapidly.

Electric revenues for the first eight months of this year (the company has no gas business) were 8% higher than for the same period of 1956 despite rather unfavorable weather conditions for air-conditioning and water-pumping. A new generating unit of 116,000 kw will go into operation in the spring of 1959, increasing capacity about 24%.

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Customer Relations and Business Development

in spite of the fact that our customer relations are not what they should be. It would likewise be easy for us to say that our own customer relations are good because we have loyal and able employees and they know how to handle customers. That also could be an erroneous assumption.

The only way I know to find out the truth is to engage the services of an outside research organization. And that is what we did two years ago at Manufacturers Trust Company. We retained the Alfred Politz Organization to make a market research study for our bank, and in the course of getting answers to the various questions which we posed, we found out some things which were pleasant to hear and some things which were not so pleasant about our bank and the way we looked to our customer. Among the many things we found out was that convenience of location is by far the most important reason why customers do business with one bank instead of another. This was merely a confirmation of what we had already believed. We also found out that the way in which customers are treated was the next most important consideration.

On the basis of what we learned we are undertaking a program of employee training which is designed to improve the way in which our contact personnel, that is, tellers, floormen, platform officers, etc., treat our customers and others who come into our bank's offices. We know that it is a process which will take some time, but we are going through with it, as we believe that we can never hope to meet competition unless the people who, in the eyes of the public, are "the bank" know how to create a friendly feeling toward us as an institution.

It is well known that much of the new business of any bank comes in as the result of a kind word or recommendation spoken for us by one of our customers to a friend or acquaintance. Admittedly, this is the best kind of advertising any bank can have, and a most valuable supplement to the kind of advertising we pay for. Thus it is that improvement of customer relations is the most important step any bank can take in the direction of broader cultivation of its undeveloped markets.

Higher Savings Deposit Rate

Another important fact which we learned through our market research was that a substantial proportion of our customers were also using the services of another bank. Since our bank can render all the services that any other bank can, it was obvious that we were overlooking a rich market among our own customers. We have done something about that also. Some, but not all, of our customers who were using other banks were keeping their savings in other institutions because at that time some of them were paying a substantially higher rate of interest than we were. Now that our rate has been raised to 3%, our savings deposits are increasing by leaps and bounds.

Among the other miscellaneous bits of information disclosed by our market research was the fact that only 20% of our customers (based on the sample which was studied by the Politz Organization) said they had been greeted by name when transacting business at our tellers' windows. The same people reported that 46% of their number were greeted by name the last time they went to their drug store. This points out the necessity of training bank personnel to observe the small points of courtesy and friendliness.

Open Monday Evenings

Our practice of opening neighborhood branch offices between the hours of 6 and 8 p.m. on Monday evenings was shown to be very popular with the public. We already were fairly certain of this because of the large volume of so-called consumer business transacted at these offices on Monday evenings, but the market research again confirmed that we were right in our judgment.

A while ago I mentioned that it was not economic to use personal solicitation to obtain so-called consumer banking business except to a limited extent. An exception to this rule might be noted. Our own employees are the best salesmen of special checking and savings accounts, and we have learned this through actual experience in employee campaigns. But it should be obvious that salesmen, like anyone else, will not work too hard without compensation, so if one would undertake an employee sales campaign there must be appropriate rewards to the employees who bring in the business. Our experience has been that these campaigns are quite productive in proportion to their cost.

Personal Loan Changes

Now a word or two about personal and other instalment loans. A few years ago most bank managements thought that since these loans were a form of credit they should be made or administered by credit officers. This was a mistake. The principles which govern the extension of credit to a business organization are quite different from those which apply in the case of a personal loan. Personal loans are a special form of banking and should be handled by personnel who are especially trained in that field. Our bank learned this the hard way, and now we have trained personal loan specialists at more than half of our branches most of them occupying private offices which are open after regular banking hours. We learned by experience that the personal loan borrower wants privacy to discuss his needs and simply will not come to the bank at all if he has to talk to the loaning officer on an open platform where his conversation will be overheard. Since we learned these facts and took the necessary corrective steps, our personal loan business has not only expanded, but our share of the total of this business in New York City has increased percentagewise.

So far I have been discussing the expanding market for banking services as distinguished from trust and other fiduciary services. In our Trust Department it was recognized that the pension trust and profit sharing trust were our big markets for future growth. Large estates have been greatly reduced by taxation and also by the well-known redistribution of wealth and income which has occurred during the last 25-30 years so that the prospects of developing estate and trust business of individuals would not appear as bright as those for the development of the pension or profit sharing trusts. Our problem there was to extend our service to the small business organization and to find ways and means of reducing the cost of administering the investments of small pension trusts. We reached a solution about 2 years ago with the initiation of our "Group Trust Program," through which the funds of many small pension trusts are co-mingled for investment purposes. The last hur-

dle we had to clear was tax exemption, but after months of efforts and negotiation, we obtained a ruling from the Internal Revenue Service that our Group Trust was exempt from income taxation. The result is that a small business, or nonprofit organization for that matter, can proceed with the setting up of a pension or other employee benefit plan, and if the plan complies with the Internal Revenue code so as to be tax exempt of itself, its investments can be managed through a group trust without additional tax burdens. This plan has proved to be very popular indeed and our advertising of it has brought in a surprisingly large number of inquiries, indicating that the market for this service is really there.

Goodwill Calls

I have gone into some detail in explaining the various ways in which our bank has endeavored to develop its business by tapping new markets in offering services for which changing times have created a need. At the same time we have not neglected our present customers in terms of the new services which they might need but of which they might be unaware. We have decentralized the work of making calls on our customers to the point where in 1956 our branch officers made a total of 43,000 "goodwill" calls on their customers in addition to making a total of 33,000 more calls on prospective customers. One of the useful tools we have developed is a small pocket-size folder listing the 68 services which our bank renders to the public. This is a handy reminder to the officer making the call and may serve as a memorandum in the hands of the prospect, who may or may not know of all the things we can do for him.

And now to summarize—here is our philosophy and approach to Business Development and Customer Relations:

(1) To know our markets and their characteristics.

(2) To let the public know what we can do for it.

(3) To analyze the needs of the public as they develop, and serve them before our competitors do so.

(4) To train our personnel how to handle customers and others so as to produce goodwill for the bank.

(5) To maintain contact with our customers through personal calls.

(6) To be constantly on the alert to discover our weak points and correct them.

Competition in banking is keener today than it has been for a long time, because our principal commodity — *money* — is worth more today in terms of interest rates than it has been in 25 years. This situation calls for alertness on many fronts by all those who participate in the management of banks, for if we do not go forward, it is very likely that we shall go backward.

With Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

SEBRING, Fla. — W. George Morgan has joined the staff of Lincoln E. McRae, Inc., Haskins Building.

Sills & Co. Add

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George D. Sanders has been added to the staff of Sills and Company, Ingraham Building.

Three With Sutro Bros.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Raymond F. Barren, Earl R. Elliott and Fred W. Hagar have become associated with Sutro Bros. & Co., 316 South County Road. Mr. Elliott was formerly with Goodbody & Co.

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The Security I Like Best

ly, and enjoy a strong local market.

(13) Bonds are rated Aa by Moody's and A1+ by Standard & Poor's.

In conclusion, the State of California embarked on a financing program starting in January 1957, which through October has produced $300,000,000 new bonds. A similar schedule is anticipated for 1958. This means that bonds will be in supply and will, of necessity, be priced to appeal to investors. It is an unusual opportunity to add general obligations of the State of California to your select list of "securities you like best."

ALFRED R. HILL

Partner, Hill & Co., Cincinnati, Ohio

The Procter & Gamble Company

In discussing The Procter & Gamble Company I will use a minimum of statistics and try to emphasize such factors as I believe make P & G a top quality stock investment with an added growth potential seldom found.

My home is Cincinnati, O., the executive headquarters and birthplace of P & G. It has been my good fortune to know most of their top management for years and to observe the high qualities of these men. Just within the year they have moved into their new and efficient office building. Consistent with the far-sighted policies of this company they provided in this beautiful structure, expansion facilities for many years. They are a closely knit group, modestly proud of their leadership in industry and fully conscious of their civic responsibilities. P & G has long followed the practice of developing its leadership from within its own organization and virtually every man in the management group has "grown up in the business."

Procter & Gamble has enjoyed excellent labor relations and has not had a major labor difficulty for more than 60 years. The company has the oldest profit sharing plan in continuous existence in the United States and in 1923 put into effect its well-known guaranteed employment plan. These two plans pioneered by P & G are, of course, only part of its total employee benefit program today.

In February, 1957, the American Institute of Management named Procter & Gamble "the best managed business enterprise in America."

P & G operates in a highly competitive industry and is geared for strong competition. The company has spent and is spending millions on research and manufacturing skills. In sales it has led its industry for years and ranks 1-2 among domestic corporation in advertising expenditures according to leading advertising trade journals.

P & G builds and markets its many products as individual brands which often compete with each other. In its marketing, the company recognizes the varying tastes and needs of housewives and, with a steady flow of products from its research laboratories, provides products, tailored to the changing needs of American households.

P & G's ability to produce and successfully market new products is shown in bold relief when one realizes that 50% of its present sales are from products that were not in existence 15 years ago.

The basic principles of soap making had not changed from Biblical times until 1933 when Dreft, the first packaged household detergent, was marketed by Procter & Gamble. Today approximately 80% of packaged washing products used in American homes are synthetic detergents. As a result of this virtual revolution in the industry, new and more stable sources of raw material are used and the hazards of inventory have been greatly reduced.

P & G's new and modern basic research laboratory, located 18 miles from Cincinnati is staffed with about 200 highly trained chemists and technicians. Products now being developed and tested will in future years be found in households throughout America. In addition to Ivory Soap, the most famous name in soaps, P & G also makes and markets many products not classified as soaps or synthetic detergents which account for about one-third of their sales.

Among these products are:

Crisco (shortening)
Fluffo (shortening)
Duncan Hines Baking Mixes
Big Top Peanut Butter
Crest (toothpaste)
Gleem (toothpaste)
Prell (shampoo)
Drene (shampoo)
Shasta (shampoo)
Lilt Home Permanent
Pin-It Home Permanent
Charmin Paper Products

The accompanying table should be most revealing to potential investors who are seeking both conservatism and strong growth trends.

P & G's steady sales growth and consistency of earnings provide for the defensive character of an investment stock. Coupled with their management drive for new and better products through research the growth pattern has been set and investors in P & G today can justifiably look to the future with confidence.

Fiscal Year End. June 30	Dollar Sales	Earnings Per Common Share	Divs. Per Com. Share	Retained Earns. Per Com. Share
1930	190,523,237	*1.13	*0.633	*0.497
1940	213,729,797	*1.46	*1.00	*0.46
1950	632,886,270	*3.17	*1.625	*1.545
1957	1,157,389,726	3.44	†1.85	1.59

*Adjusted for stock splits: 1½-for-1 in 1950; 2-for-1 in 1956. †Current cash dividends raised to $2.00 per year.

With Coburn - Middlebrook

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — John P. Albetski is now affiliated with Coburn & Middlebrook Incorporated, 390 Main Street. He was formerly with Barrington Investments and Gibbs & Co.

Scher With Hemphill Noyes

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.— Franklin B. Sher has become associated with Hemphill, Noyes & Co., 340 Main Street. He was formerly local representative for Coburn & Middlebrook, Incorporated.

Two With Illinois Mid-Cont.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Art Smith Jr. and Ward G. Saunders have been added to the staff of Illinois Mid-Continent Investment Co., 676 St. Clair Street.

Two With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — George E. Hibbard and Jasper A. DePaul have become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

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The State of Trade and Industry

to a tune of 63% by the two producers, Ford and Chevrolet, is largely attributable to this year's light-duty truck sales and their strength in this reviving market."

"Ward's" added that 578,000 of the industry's 1958 models already have been built, climaxing a successful 1957 model cleanup that saw auto buying in September-October combined exceed like 1956 by 92,000 units.

The cleanup period reverses the January-August trend which had seen sales merely run parallel to last year.

The reporting service further noted that labor unrest continues to cloud the factory production outlook. A strike closed Ford's Louisville assembly plant last week, hitting Ford and Edsel assembly sources there. At the same time, Mercury's Mahwah, N. J., factory, strike-bound since Oct. 9, went back to work on Monday of last week.

Manufacturers' new orders in September on a seasonally adjusted basis fell from August and from September, 1956, the United States Department of Commerce stated.

This Government agency reported new orders were $26,800,000,000 at the end of September, down $500,000,000 from August and $200,000,000 below September of last year. The agency observed that the bulk of the drop came in durable goods industries, where lower rates of ordering occurred in most major segments.

Manufacturers' sales and inventories, however, topped the year-earlier period in September on the seasonally-adjusted basis, while falling from August levels.

Steel Operations This Week Scheduled to Yield 77.5% of Ingot Capacity

High production schedules for the automotive industry over the next several months will nudge up flat-rolled steel demand, but ingot production will remain at a somewhat modest level, "Steel" magazine stated on Monday of this week.

The weekly magazine of metalworking said automakers are building cars for dealer stocks and to prepare a backlog against possible labor troubles at midyear.

They will have to buy any steel they use since their inventories are abnormally low. Currently, they are at a 12-to-15-day level. Normally, they are 30 to 33 days.

Auto production is already ahead of last year's pace. Passenger car output in the week ended Nov. 2 was 127,991 units, more than five times the number produced in the first week of October. It compares with 104,987 in the preceding week and 117,583 in the like week last year.

Automakers are still taking about the same tonnages as they have recently, but steelmakers are prepared to give quick delivery on orders. They are handling inquiries in less than 60 mintues.

Mills are opening books for first quarter orders on virtually all products. But incoming business is light, and producers are not too confident a pickup of substantial proportions will come this quarter.

Sheets and bars have been in easy supply for months. Shapes and plates, which have been in critical supply, are getting into better balance rapidly. The move reflects seasonal slackening in structural activity, including highways and bridges.

Makers say inquiry for sheared plates is leveling out, with capital expenditures dipping. They still hold substantial backlogs, but pressure is off the market. Heavy shipyard needs are expected through next year, but utility work is down. Chemical requirements are not as active as they were a year ago and railroad car needs are off.

The publication said imports of structurals and tubular goods are declining, but wire mill products, and especially the merchant items, continue to cause headaches. Foreign barbed wire sells for as much as $3 a spool less than the United States product; fencing is $20 a ton cheaper and nails are $30 a ton under the domestic price.

It said imports of steel mill products are equal to only 1.5 or 2% of United States production, but competition depends upon the product and geographic area it is concentrated in. It estimated 1957 imports would average 115,000 net tons a month, compared with monthly averages of 112,000 tons in 1956 and 181,500 tons in the record year of 1951.

In reporting on the place of small business in our future, "Steel" estimated that small plants would do $47,000,000,000 in metalworking business this year out of a total of $138,000,000,000 metalworking volume. It said that small metalworking plants of 20 to 499 employees have about doubled in number since 1946. In 1946, there were 12,720 plants compared with 23,962 in 1957.

Disinterest of consumers has forced scrap prices down again for the twelfth consecutive week. "Steel's" composite dropped last week another $2, putting it at $33.33 a gross ton, the lowest since December 1954.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 77.5% of capacity for the week beginning Nov. 11, 1957, equivalent to 1,984,000 tons of ingot and steel for castings, as compared with 78.0% of capacity, and 1,996,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 80.9% and production 2,070,000 tons. A year ago the actual weekly production was placed at 2,466,000 tons or 100.2%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Extended Its Gains of the Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 9, 1957, was estimated at 11,914,000,000 kwh., according to the Edison

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The State of Trade and Industry

Electric Institute. Output the past week increased above tne level of the previous period.

The past week's output rose 54,000,000 kwh. above that of the previous week and advanced by 392,000,000 kwh., or 3.4% above that of the comparable 1956 week and 1,036,000,000 kwh. over the week ended Nov. 12, 1955.

Car Loadings Rose 1.5% in Latest Week But Were 10.8% Under the 1956 Period

Loadings of revenue freight for the week ended Nov. 2, 1957, were 10,306 cars or 1.5% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Nov. 2, 1957, totaled 713,994 cars, a decrease of 86,373 cars, or 10.8% below the corresponding 1956 week and a decrease of 90,267 cars, or 11.2% below the corresponding week in 1955.

Automotive Operations Rose 9% Last Week Establishing An Eight-Month High for the Period

Automotive output for the latest week ended Nov. 8, 1957, according to "Ward's Automotive Reports," reached the highest level since the March 18-23 period this year by a 9% gain in passenger car assembly. The past week found 50% of the industry's assembly plants still on a Saturday overtime basis.

Last week's car output totaled 137,404 units and compared with 126,139 (revised) in the previous week. The past week's production total of cars and trucks amounted to 159,821 units, or an increase of 12,453 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 11,265 cars, while truck output advanced by 1,191 vehicles during the week. In the corresponding week last year 132,087 cars and 21,190 trucks were assembled.

Last week the agency reported there were 22,417 trucks made in the United States. This compared with 21,226 in the previous week and 21,190 a year ago.

Canadian output last week was placed at 6,610 cars and 1,576 trucks. In the previous week Dominion plants built 6,205 cars and 1,524 trucks and for the comparable 1956 week 7,245 cars and 1,609 trucks.

Lumber Shipments 5.1% Above Output in Week Ended Nov. 2nd

Lumber shipments of 485 reporting mills in the week ended Nov. 2, 1957, were 5.1% above production, according to the National Lumber Trade Barometer. In the same period, new orders were 4.0% below production. Unfilled orders amounted to 28% of stocks. Production was 1.0% above; shipments 3.0% above and new orders were 1.3% above the previous week and 0.2% above production for the like week of 1956.

Business Failures Rose Moderately for Week and Substantially Above a Year Ago

Commercial and industrial failures rose to 266 in the week ended Nov. 7, from 250 in the preceding week, Dun & Bradstreet, Inc. reported. This increase lifted casualties considerably above the 219 in the similar week a year ago and the 207 in 1955. However, the total remained slightly, 1%, below the 269 failures which occurred in the comparable week of pre-war 1939.

Casualties involving liabilities of $5,000 or more increased to 222 from 207 last week and 194 in 1956. Little change appeared among failures with liabilities under $5,000, which edged to 44 from 43 in the previous week, but they exceeded the 25 of this size a year ago. Twenty-one businesses failed with liabilities in excess of $100,000 as compared with 16 last week.

Week-to-week upturns prevailed in five of the nine major geographic regions. In the Middle Atlantic States, casualties climbed to 92 from 77, in the South Atlantic to 25 from 19, in New England to 18 from 12. Mild dips were reported in four areas, including the Pacific States, off to 67 from 73 and the East North Central States, down to 27 from 35. Failures exceeded their 1956 levels in most regions; only three reported totals below last year—the East North Central, East South Central and Pacific States.

Wholesale Food Price Index Extended Its Moderate Rise of the Preceding Week

Another moderate advance last week brought the Dun & Bradstreet wholesale food price index for Nov. 5 to $6.18. This compared with $6.16 a week previous and marked a gain of 3.9% over the comparable 1956 figure of $5.95. The 1957 low was $6.08 on May 14, while the high point was reached on Aug. 6 at $6.39.

Moving up in wholesale cost during the week were flour, wheat, rye, oats, lard, butter, milk, coffee, cottonseed oil, cocoa and hogs. Lower were corn, sugar, eggs, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Declines to Lowest Level in Two Years

The general commodity price level dipped again last week to reach the lowest level in two years. Contributing to the decline were lower prices for hogs, steel scrap, gasoline, hides, rubber, cotton and wool. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 276.68 on Nov. 4. This was down from 277.07 a week earlier and 281.90 a month ago. It compared with 294.32 on the corresponding date last year.

Grain markets generally, except for wheat, trended lower during the week. Export demand showed little if any improvement and buying for domestic account was disappointing. A strengthening factor in wheat was the heavy movement of wheat from interior points to terminal elevators to make storage space available for new crop grain sorghums and soybeans. Cash corn markets were sharply lower as the result of pressure from new crop marketings. Although marketings of oats were very small, prices were easier in sympathy with other feed grains.

Demand for malting barley was fair, with offerings light and prices holding steady. Despite a noticeable decrease of primary receipts and producer marketings cash soybeans continued their downward trend reflecting weakness in the soybean oil meal markets.

Interest in the domestic flour market was dull. Trading was extremely small and the tendency among most buyers was to draw upon balances as long as possible. The downward pull in the domestic raw sugar market was still in evidence as prices softened in slow trading. World sugar was lower although the market was somewhat more active as the week closed.

Coffee prices firmed up in both the actual and futures markets as demand broadened. Inventories of roasters in the United States were estimated at 1,150,000 bags, the lowest in two years. Cocoa values made further moderate gains during the period. Trading was active with some of the buying based on bullish African crop prospects. Warehouse stocks at New York at 204,596 bags compared with 338,368 bags a year ago.

Cotton price movements were irregular a week ago. Trading in the early part of the week was stimulated by fears of further crop damage due to cool weather and rains, particularly in the Southeast. In line with trade expectations, the mid-October cotton parity price held unchanged at 37.06 cents a pound. Cotton loans in the week ended Oct. 25 increased to 135,344 bales from 101,905 the week before. Withdrawals from the loan in the latest period were given at 8,500 bales, leaving 532,331 bales of 1957 crop cotton in the Government loan stock on Oct. 25.

Despite adverse weather conditions over the past month, the cotton crop appears to have held its own. A preliminary estimate by the "Journal of Commerce" as of end-October placed the yield at 12,500,000 bales compared with last month's United States Department of Agriculture estimate of 12,401,000, and the 1956 production of 13,310,000 bales.

A wave of forward buying involving tens of millions of yards developed in the primary cotton cloth market late in the week. Interest centered around cotton print cloths with most transactions reported at a lower price level.

Trade Volume Aided by Election Day Sales Promotions And Good Weather in Past Week

Stimulated by Election Day sales promotions and favorable weather in many areas, consumer buying rose appreciably last week and volume edged somewhat ahead of a year ago. There were moderate gains from both the previous week and the similar 1956 period in sales on men's and women's apparel, furniture and floor coverings, while purchases of major appliances, television sets and linens remained sluggish. A further rise in the buying of 1957 model passenger cars cut again into dealers' stocks.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic States +3 to +7%; West North Central 0 to +4; East North Central and West South Central —1 to +3; East South Central and New England —2 to +2; South Atlantic and Pacific Coast —4 to 0 and Mountain States —5 to —1%.

Furniture stores reported noticeable increases from a week earlier in the buying of dining room sets, case goods and upholstered merchandise. Retailers registered substantial gains in floor coverings, electric blankets and slip covers, but interest in linens, draperies and towels dwindled. Sales of refrigerators and dishwashers lagged again last week.

Despite a slight gain in the call for frozen foods, fresh produce and canned goods, overall food volume remained close to that of the prior week. There were moderate declines in volume in most dairy products, poultry and fresh meat.

Wholesalers in many markets reported a slight rise in orders for women's Spring wear and volume was close to that of a year ago. However, bookings in Spring dresses were sluggish. There was a moderate gain from a week earlier in the call for men's Spring clothing. Buyers somewhat stepped up their buying of women's fashion accessories and sweaters, anticipating the Christmas season. Slight year-to-year declines occurred in purchases of children's merchandise.

A noticeable increase was reported in wholesale buying of floor coverings during the week, but interest in draperies and linens was sluggish. There was an upsurge in orders for lamps, lighting fixtures and decorative lighting equipment for Christmas. Sales exceeded those of a year ago. Purchases of major appliances and furniture slackened during the week.

Although transactions in carpet wool, woolens and corduroys advanced appreciably, trading in worsteds lagged. Despite some scattered orders for print cloths, bookings in cotton gray goods were unchanged from the level of a week earlier. Some Southern mills plan shutdowns during the Thanksgiving and Christmas holidays, as a result of sluggish orders. Several dyeing and finishing plants in New England reported a slight improvement in new orders.

Increased buying of flour, rice and some dairy products boosted total volume in food at wholesale.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 2, 1957 declined 2% from the like period last year. In the preceding week, Oct. 26, 1957 a decrease of 1% was reported. For the four weeks ended Nov. 2, 1957 a decline of 1% was reported. For the period Jan. 1, 1957 to Nov. 2, 1957 an increase of 2% was registered above that of 1956.

Retail trade sales volume in New York City the past week rose about 5% above that of the similar period in 1956, trade observers estimated.

Election Day provided the impetus for the week's good showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 2, 1957 increased 6% above that of the like period of last year. In the preceding week, Oct. 26, 1957 an increase of 1% was reported. For the four weeks ending Nov. 2, 1957 no change was registered. For the period of Jan. 1, 1957 to Nov. 2, 1957 the index recorded a gain of 3% above that of the corresponding period of 1956.

Hill & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—William F. Reid has been added to the staff of Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

Form Southern Planning

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Southern Planning Corporation has been formed with offices at 60F Coral Shopping Center to act as dealers in mutual fund securities. Officers are J. P. Coffin, President; M. C. Coffin, Vice-President and Treasurer; and G. A. Dickinson, Secretary.

Continued from page 5

Observations . . .

wars. But, even though he was right in his economics and business forecast, he was nevertheless wrong regarding the *market;* for the market *dropped* 22% in 1946 and continued its bearish behavior until late 1949 — running completely counter to the business boom. Outbreak of war furnishes another example of the difficulty of drawing the correct market conclusion from the correctly predicted outside economic or political event. Throughout the first eight months of 1939, those expecting the outbreak of a World War sold stocks, but the actual occurrence of the event was followed by an immediate market *rise*, averaging 20%. On the other hand, the Korean outbreak in 1950 was greeted by a market *drop* of 15%.

Uncertain Inflation Impact

Now, a word about inflation's uncertain market impact. The inflation factor also manifests the difficulty of making short-term market assumptions from a correct long-term economic prediction, particularly when stocks are out of line from value criteria. There are many instances of severe market falls in the midst of an inflationary environment. During the war-time inflation of 1917 stocks nevertheless broke 50% in a seven month period. There was also a "halving" of stock market prices in the midst of the 1937-38 period of monetary expansion. Similarly in the post-OPA price decontrolling period of 1946-48 after the end of the second World War when inflation really took hold on the economy and commodity prices rose by 40% and the cost of living by 30% — stock price average, nevertheless, fell by 10% net. Likewise, over the longer term from 1929 to 1950 when there was a 52% rise in commodity prices, nevertheless, there was a net decline of 40% during that period in the price of stocks.

Even overall corporate profits constitute another example where correct prediction of short-term changes in even a quantitative element — a difficult enough achievement in itself — do not necessarily supply the key to the future action of the market as a whole. From 1946 to 1947 the per-share earnings comprising the issues on the Dow-Jones Industrial average rose by 40%, yet the mean of their market price range, at the same time fell by 7%.

The "How High Is High?" Obstacle

Then there is the process where a cause-and-effect relationship between outside factors and market performance does exist; but leaves the *time* of such effect in terms of market performance indeterminable. In other words, the "how high is really high?" problem. Thus several of the expert witnesses at the Fulbright Committee's Stock Market Inquiry back in March, 1955, cited factors both qualitative and quantitative, to show that the market was too high. But, although the demonstration of these excesses was valid, the market subsequently went up an additional 35% during the 17 months from March, 1955, to its peak initially registered in August 1956.

In the market's current collapse the unfavorable dividend yield of stocks compared to bonds has been cited as an important contributing cause — and, correctly so. But this highlights the constant impossibility of determining *the time* when such factors will become effective in terms of market performance. For, significantly dangerous narrowing of the stock-bond yield differential went on, but was disregarded or explained away by the avid bull market stock buyers, for years preceding the current market decline. This ratio (based on the average yield of Standard & Poor's fifty industrial stocks related to the yield on its high-grade industrial bond index) after years of stability began, starting in December, 1950, a change from 2.92 to a riskier relationship, gradually declining all the way down to 0.94 last July.

Surely, at least at *any* time after October, 1954, when the ratio descended below the historically significant 1.60 mark, it could have been regarded as an important danger signal. In fact the yield factor was cited before the Fulbright Committee in warning of the "high" market—when the Dow-Jones Average was down in the 380's; after which it registered its further big rise to 523. 380 may have been high. But 523 was much higher—and after 17 months of discomfort, if not embarrassment, to the would-be market timers.

Small wonder then, that in the output of the economic and statistical services there is a sharp contrast between on the one hand the constructive usefulness of the factual data and on the other, the abortive results in their forecasting phases—but the public loves the forecasting.

On Internal Market Analysis

Now, time limitation also prevents me from making more than a brief reference to some of the fundamental fallacies embodied in the curent mass effort to anticipate stock price movements by means of so-called internal market analysis—but this being such a very popular activity, we should spend a little time on it. The basic fallacy common to the great mass of so-called "technical" methods used in stock market forecasting is the implied major premise that the future price course can be determined from its past behavior, disregarding the hard and fast line between the past and the future. This error of the technicians applies not only to the chartists of Dow theory, of Ratio systems. Action Reaction signals, Explosion points, Tonometers, Island Reversals, sun spot cycle theory; as well to the highly respectable formula-timing practitioners.

The Dow Theory

Now, for the basic definition and technique of one of these technical systems — the leading one and becoming ever more popular; the Dow Theory.

At this point let me remind you of the basic definition of the Dow Theory. It holds that at any time the stock market is the composite resultant of these three trends, to be charted and studied:

(1) The minor trend; or day-to-day fluctuations, forming lines in either direction.

(2) The secondary trend; lasting for several weeks or months; made up of a succession of higher or lower minor movements.

(3) The major trend, lasting over a period of years, and made up of a succession of higher or lower major thrusts and secondary movements.

The latter major trend, whose identification is the primary objective of the Dow Theorists, is determined by successive highs and lows of the averages. Successive higher highs and higher lows constitute a bull market trend: and — conversely — successively lower highs and lower lows define a bear market trend. As long as each successive advance of the stock average used carries to a higher peak than the one before it, and each successive secondary reaction stops at a higher bottom than the last, the primary trend is assumed to be up; and the condition is defined as a *bull market*. Conversely, when each successive downsurge of the market carries to a new low, and each temporary rally ends at a joint under the previous one, the primary trend is down and the condition is called a *bear market*. The final premise is that the performance of the industrial and rail averages (the latter presumably still not an anachronism) must confirm each other.

Now, as a description of the past and present this is useful, but as prediction it signifies absolutely nothing. It functions merely like a weather vane that shows which way the wind has been and is blowing, whether up or down the hill. Actually it does not thereby give any clue as to how long the wind will continue to blow that way. Not even whether it will continue to blow for another day, that is, for another up-tick on the stock exchange ticker. Remember, the weather vane does not insure continuation of the wind. Similarly, recording of a *past*-price "trend" in stocks should not imply its continuation. Stripped of its surrounding copious jargon, the Dow principle is a logical absurdity.

In effect, I am convinced that essentially the market technicians' assumptions about *trend* behavior, commit the error in the mathematical principle of the maturity of the chances which Professor Steinmetz called the most mischievous of gambling superstitions. This principle embraces the psychological fiction of which Dow thinking is a variation. Namely, that when there has been a repeated run in a series, the mere reoccurrence of that repetition by itself alters the mathematically correct odds concerning the probable outcome of the next event. This is the foible which leads boys who gamble on coin tossing to vary their bets in the belief that a series of successive heads is more than 50% probable to be followed by a tail. The same misconception exists in most systems for outwitting the inexorable mathematical facts of dice, or of black and red turns on the roulette wheel. The roulette player often thus becomes bankrupted by an extraordinary run of the same color against him. Now if you will stop to think you will see that the Dow theory is based on the same fallacy, regarding the projection of a so-called trend from past behavior. Essentially the Dow theory along with other systems, follows the principle that the chances of a succession of identical results are other than even, thereby assuming either extension or reversal of a trend whose course over the next ticker quote or day, or week, or month, is evident from its past direction.

Incidentally, when a system for beating the stock market or a game of chance goes awry, its practitioner is quick to blame himself for his own faulty *interpretation* and excuse the Sacrosanct system—a masochistic somersault *i. e.,* self-abuse as a device for maintaining one's emotional security through unshattered confidence in the system.

The Market's Divergence Difficulty

Now, here's another major category of obstacle to forecasting the so-called market as-a-whole. Those trying to time movements of the stock market considered as a unit, or at least as containing a so-called trend, overlook the very, very fundamental obstacle resulting from the constant divergences within that overall tent termed "the market," (and I say that term "the market" with mental quotation marks around it) First let me give you an example showing this divergence within the market over the long term. The record shows that between 1901 and 1936 while the market as measured by the Dow-Jones average of industrial stocks, almost tripled in price from $64 to $184. Nevertheless, at the same time during the same years, the 20 most popular dividend paying issues suffered an overall decline of 39%. Although 13 of the most popular issues were railroads, nevertheless the industrial as well as the rail components contributed to the record, and a full one-half of all the issues shrank by 50% or more. In other words, while the so-called market as a whole was going up, half the issues went down, and by over 50%.

And take the record of the market as a whole over last year—1956. Standard & Poor's Index of 480 stocks showed a rise of 4%, with the industrial section gaining 6%. But the rails concurrently lost 8% and the utilities declined 1½%. And there was complete disparity within industry groups! American Cyanamid rising 18% while Allied Chemical was falling 15%, Continental Can up 20%, American Can down 12%; and so on all through the list.

This year—from Jan. 1 through Oct. 25, while the market as a whole, composed of the 1,000 important issues, was declining by 13%—the drug, cigaret, and office equipment groups were *rising* by as much as 13%; while, on the other hand, aircrafts, airlines, aluminums, and coppers, *fell* by 30 to 40%.

Again, even midst last month's period of severe market breaks was there striking market divergence between the net changes. For during October, six stocks actually gained more than 10%, seven issues rose by 7%, 133 stocks registered advances up to 6%; 32 ended unchanged—while 368 issues lost up to 6%; 222 declined from 6 to 10%, and 306 fell by more than 10%.

So, showing all these divergences and contrary movements going in several directions at once, certainly proves how impossible it is to predict "the market" (again in quotation marks) as a whole. Again referring to a parlyed bet, we see that those trying to forecast the market, once more must win two bets—first, on being right on the market as a whole and second, on being right on some particular stocks within the market.

* * *

Conclusion

Actually, valid signals are provided neither by economic indices nor by technical factors adduced by the internal market analysts. While offering the appeal of order out of uncertainty through past-performance pictorialization, the latter essentially substitute hindsight for foresight. Relying on resistance points, explosion points, secondary reversals, and other "patterns," they commit the basic fallacy of disregarding the hard and fast line between the past and the future. The popular Dow Theory, the leading example, is useful for definition of the market's past and present action (as a bull or bear market), but concerning the future it signifies absolutely nothing. Just as the weather vane gives no indication of the future direction of the wind, charting of the past course of the market bears no relevance to its future direction.

Fortunately there is available a way of avoiding the difficulties involved in timing market fluctuations that is fruitful as well as logical. Let the investor stockholder discharge his true functions as part owner of a business. In lieu of dealing in changes in market quotations, let him concentrate on evaluating individual issues as a stake in a property, with the purpose of securing preservation of his capital along with adequate income yield. Let him further operate on the premise that continuing disparities of their price from value offer recurring opportunities for advantageous purchases and sales.

He will thus conform to the true and constructive investment principle that ANY time is a good time to buy a good VALUE; with no time being a good time to hold a bad value.

Banking Group Offers $20,700,000 Issue of Cook County Bonds

A syndicate managed by the First National City Bank of New York; Continental Illinois National Bank & Trust Co., First National Bank, Harris Trust & Savings Bank, and Northern Trust Co., all of Chicago, made public offering on Nov. 12 of $20,700,000 Cook County, Ill., various purposes bonds, at prices to yield from 2.60% to 3.60%, according to interest coupon and maturity. The financing included $11,400,000 3½% bonds, due on Dec. 1 from 1958 to 1977 inclusive, and $9,300,000 3¾s, maturing on Dec. 1 from 1958 to 1977 inclusive. The bonds are general obligations of the County, payable as to both principal and interest from ad valorem taxes to be levied upon all taxable property therein within the limit provided by law.

Also in the underwriting group are the following: Chemical Corn Exchange Bank; C. J. Devine & Co., First National Bank of Portland (Ore.); White, Weld & Co.; Shields & Co.; Paine, Webber, Jackson & Curtis; R. W. Pressprich & Co.; City National Bank & Trust Co. of Chicago; City National Bank & Trust Co. of Kansas City (Mo.); Dominick & Dominick; Hirsch & Co.; Shearson, Hammill & Co.; Trust Company of Georgia; American National Bank & Trust Co. of Chicago;

Reynolds & Co.; First National Bank in Dallas; Andrews & Wells, Inc.; Robert W. Baird & Co., Inc.; Julien Collins & Co.; Fitzpatrick, Sullivan & Co.; E. F. Hutton & Co.; King, Quirk & Co., Inc.; Shelby Cullom Davis & Co.; Dempsey-Tegeler & Co.; Rodman & Renshaw; C. S. Ashmun & Co.; Dittmar & Co., Inc.; Farwell, Chapman & Co.; Fulton Reid & Co., Inc.; A. E. Masten & Co.; John Small & Co., Inc.; Dreyfus & Co.; Eddleman-Pollok Co.; Federation Bank & Trust Co., New York City; and Frantz, Hutchinson & Co.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Alabama National Life Insurance Co.
Oct. 2 (letter of notification) 37,783 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To selling stockholders. **Office**—Bessemer, Ala. **Underwriter**—Joe S. Hanson, 794 Navy Bldg., Pensacola, Fla.

Allstate Commercial Corp., New York
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

American Hardware Corp., New Britain, Conn.
Nov. 5 filed 125,000 shares of common stock (par $12.50) to be offered in exchange for not to exceed 250,000 shares of common stock of Savage Arms Corp. on the basis of one-half share of American (plus cash) for each Savage Arms share. The other is conditioned upon acceptance by holders of not less than 100,000 shares of Savage Arms stock not later than Dec. 17, 1957. **Underwriter**—None.

• **American Israeli Paper Mills, Ltd. (11/25-29)**
Oct. 29 filed 6,000,000 series B ordinary shares (par one Israel pound per share). **Price** — $1 per share, payable either in cash or in State of Israel bonds. **Proceeds**—For expansion program. **Office** — Hadera, Israel. **Underwriter**—Lee Higginson Corp., New York, on a best efforts basis.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

A M I, Inc., Grand Rapids, Mich.
Oct. 4 filed 114,323 shares of common stock (par $3), with warrants, to be offered for subscription by common stockholders at the rate of one new share for each four shares held as of record Nov. 1, 1957; rights to expire on Nov. 15, 1957. **Price** — $9 per share. Warrants entitle holder to purchase one additional share at $10 per share for each share subscribed for. **Proceeds**—To retire 5% mortgage note, 5% unsecured notes and to reduce bank loans. **Underwriter**—None. Cage Trust, a trust organized under the laws of the State of Liechtenstein, has agreed to purchase any unsubscribed shares.

Ampal-American Israel Corp., New York
Oct. 14 filed $5,000,000 of five-year 6% sinking fund debentures, series F, due 1962. **Price**—At 100% of principal amount. **Proceeds**—To purchase machinery and equipment. **Underwriter**—None.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Artesian Water Co.
Oct. 15 (letter of notification) 3,404 shares of class A non-voting common stock (no par) to be offered for subscription by common and class A common stockholders of record Oct. 2, 1957 on the basis of one new share of class A common stock for each eight shares of common stock and class A common stock; rights to expire Dec. 2, 1957. **Price**—$30 per share to stockholders; and $32 to public. **Proceeds**—To purchase assets of Collins Park Water Co.; Willow Run Water Co. and Sedgely Farms Water Plant; also to purchase additional storage tanks, water mains, etc. **Office** — 501 Newport & Gas Pike, Newport, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Del.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Brockton Edison Co.
Sept. 18 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on Oct. 23 at 49 Federal St., Boston, Mass., but none were received. Company to seek to negotiate the sale to a banking group.

Brockton Edison Co.
Sept. 18 filed $3,000,000 first mortgage and collateral trust bonds due 1987. **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Blair & Co. Incorporated. **Bids** — Had been expected to be received up to 11 a.m. (EST) on Oct. 30 at 49 Federal St., Boston, Mass., but offering has been temporarily postponed.

California Water & Telephone Co. (11/20)
Oct. 30 filed 250,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Canada Mortgage Bonds, Ltd., Englewood, N. J.
Sept. 3 filed $1,000,000 of 8% mortgage bond trust certificates. **Price** — At par (in units of $250, $500 and $1,000). **Proceeds** — For purchase of mortgage bonds. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada
Sept. 27 filed 4,851,810 shares of common stock (par 16⅔ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None. Statement effective Nov. 4.

• **Caramba Mokafe Corp. of America**
July 12 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—Paramount Securities Co., One Exchange Place, Jersey City, N. J. **Offering**—Now being made.

Carter-Jones Drilling Co., Inc.
Sept. 27 filed 300,000 shares of capital stock (par 10 cents. **Price** — $5 per share. **Proceeds**—To repay bank loans and other indebtedness; to participate in the acquisition and exploration of oil properties in joint venture arrangements with other companies in which the company does not propose to retain more than a 25% interest or assume more than 25% of the risk; and for general working capital. **Office**—Kilgore, Texas. **Underwriter**—None.

• **Caruso Foods, Inc. (11/25)**
Oct. 3 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Business**—Spaghetti, macaroni, etc. products. **Office**—2891-99 Nostrand Ave., Brooklyn, N. Y. **Underwriter** — Anglo-American Securities, Inc., New York.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York. **Offering**—Expected at any time.

Chicago Title & Trust Co.
Oct. 24 filed 23,907 shares of common stock (par $20) to be offered in exchange for common stock of Title Insurance Corp. of St. Louis at the rate of five-eighths of one share of Chicago Title stock for each Title Insurance share. The exchange offer is subject to acceptance by 30,600 shares (80%) of the 38,250 Title Insurance shares outstanding. Initial expiration date of the offer is Dec. 20. **Underwriter**—None.

Cleary (W. B.), Inc.
Oct. 3 (letter of notification) 5,600 shares of common stock (par $5) to be offered to stockholders of record Sept. 26, 1957 on the basis of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—For accounts payable; and drilling for oil and gas wells. **Office**—272 First National Building, Oklahoma City 2, Okla. **Underwriter**—None.

• **Coastal Ship Corp. (11/18-22)**
Sept. 13 filed $6,000,000 of 6% debentures due Feb. 1, 1968 (with warrants to purchase 80,000 shares of common stock of Coastal, of which 60,000 shares are included in the public offering and exercisable at $1 per share; and 20,000 shares to be privately placed; and warrants to purchase an undetermined number of shares of McLean Industries, Inc., class A common stock at market, the exact number of shares to be established at a later date. **Price**—To be supplied by amendment (expected at 100% for debentures). **Proceeds**—Together with other funds, to purchase five C-2 freighters to be converted into trailerships. **Underwriters**—Eastman Dillon, Union Securities & Co. and White, Weld & Co., both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. Statement effective Aug. 10.

Commercial Credit Co.
Oct. 10 filed $50,000,000 senior notes due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York. **Offering**—Indefinitely postponed.

• **Commonwealth Oil Refining Co., Inc. (12/9-13)**
Nov. 1 filed $20,000,000 of convertible junior subordinated debentures due 1972. **Price** — To be supplied by amendment. **Proceeds**—To liquidate deferred credits and short-term debt, to construct additional facilities and to provide working capital. **Office**—Ponce, Puerto Rico. **Underwriter**—The First Boston Corp., New York.

Consumers Cooperative Association
Oct. 23 filed 240,000 shares of 5½% preferred stock and 4,000 shares of 4% second preferred stock. **Price** — At par ($25 per share). **Proceeds**—To be added to general funds. **Office**—Kansas City, Mo. **Underwriter**—None.

Continental Insurance Co.
Oct. 10 filed 1,700,000 shares of capital stock (par $5) being offered in exchange for capital stock (par $7.50) of Firemen's Insurance Co., Newark, N. J., at the rate of 17 shares of Continental for every 20 shares of Firemen's stock. The offer, which is subject to acceptance of not less than 80% of the Firemen's stock, will expire Dec. 2, 1957, but may be extended to Dec. 31, 1957. **Underwriter**—None. Statement effective Oct. 31.

• **Continental Screw Co. (11/19-20)**
Sept. 24 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from sale of $1,500,000 6% bonds (with stock purchase warrants), to purchase assets of old Massachusetts corporation and of Hy-Pro Tool Co. **Underwriter**—Lee Higginson Corp., Boston and New York.

Cooperative Grange League Federation, Inc.
Sept. 27 filed $600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par $100; and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

★ **Dillon (J. S.) & Sons Stores Co., Inc.**
Nov. 12 filed 110,000 shares of common stock (par $5), of which 100,000 shares are to be offered publicly and 10,000 shares to employees, officers and directors of company. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to equip new stores, to increase inventories and for general corporate purposes. **Underwriter**—Kidder, Peabody & Co., New York.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

Doctors' Motels, Inc., Kansas City, Kan.
Oct. 25 filed 500,000 shares of common stock, of which 426,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for $432,055 outstanding 6% debentures, 3,085 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price**—At par ($15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

Dow Chemical Co.
Oct. 3 filed 200,000 shares of common stock (par $5) being offered for subscription by employees of the company, its subsidiaries and certain associated companies. Subscriptions will be accepted by the company from Nov. 4 through Nov. 22. **Price**—$42.25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Duraloy Co., Scottdale, Pa.**
Nov. 12 filed 69,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For modernization and improvements. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capital expenditures and working capital. **Business** — Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

Electro Precision Corp., Arkadelphia, Ark.
Oct. 30 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For office and laboratory equipment; inventory, working capital, etc. **Underwriter**—Nunn-Groves Co., Little Rock, Ark.

★ Famous Virginia Foods Corp.
Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Fine Arts Acceptance Corp. (11/25-27)
Oct. 25 filed $525,000 of 6½% subordinated sinking fund debentures (with non-detachable common stock purchase warrants), due Nov. 1, 1977. **Price**—95% of principal amount. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Woodcock, Hess, Moyer & Co., Inc.; Boenning & Co.; Suplee, Yeatman, Mosley & Co., Inc., and Paul & Lynch, all of Philadelphia, Pa.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

● Florida Power & Light Co. (11/20)
Oct. 24 filed 300,000 additional shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

★ Florida Steel Corp., Tampa, Fla. (12/2)
Nov. 12 filed 80,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 29, 1957, at the rate of one new share for each 10 shares held; rights to expire on Dec. 16. **Price**—To be supplied by amendment. **Proceeds** — Together with bank loans, to construct new steel mill. **Underwriters**—McDonald & Co., Cleveland, Ohio, and Kidder, Peabody & Co., New York, N. Y.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property **Underwriter**—None.

★ Fluorspar Corp. of America
Nov. 12 filed $1,400,000 aggregate market value of common stock (number of shares to be supplied by amendment). **Price**—Also to be supplied by amendment. **Proceeds**—To finance additional exploration work on mining properties and to provide working capital. **Office**—Portland, Ore.

★ Food Fair Properties, Inc.
Nov. 12 filed 2,499,116 shares of common stock (par one cent) to be offered for subscription by common stockholders on the basis of one new share for each two shares held; rights to expire in two weeks from date of offering. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for real estate operations and financing. **Underwriter** — Eastman Dillon, Union Securities & Co. New York. Food Fair Stores, Inc., owner of about 45% of the outstanding common stock, has indicated that it intends to exercise its subscription rights. **Offering**—Expected early in December.

★ Food Fair Stores, Inc.
Nov. 12 filed 200,000 shares of common stock (par $1) to be offered to key employees of the company and its subsidiaries under the company's Employees' Restricted Stock Option Plan. **Underwriter**—None.

Forest Laboratories, Inc.
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo.

Gate City Steel, Inc., Omaha, Neb.
Oct. 17 filed 30,000 shares of 6½% cumulative sinking fund preferred stock, series A (par $20), with common stock purchase warrants to buy 60,000 shares of common stock; and 100,000 shares of common stock (par $1). **Price** — At par for preferred and $5.50 per share for common. **Proceeds** — To retire outstanding preferred stocks and short-term bank loans and for general corporate purposes. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Offering**—Expected this week.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. **Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). Bids** — **Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.**

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. Price—$500 per unit. Proceeds—For expansion and working capital. Underwriter—None named. Offering to be made through selected dealers Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

● General Telephone Co. of the Southwest (11/21)
Nov. 1 filed 250,000 shares of cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for new construction. **Dealer-Manager**—Mitchum, Jones & Templeton, Los Angeles, Calif.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Giant Petroleum Corp.
July 22 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To pay outstanding debt and for working capital. **Office**—225 East 46th St., New York, N. Y. **Underwriter**—A. G. Bellin Securities Corp., 52 Broadway, New York. N Y. **Offering**—Temporarily suspended by SEC on Oct. 18.

Gold Seal Dairy Products Corp. (11/25)
Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price** — To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

Gulf States Land & Industries, Inc.
Sept. 25 filed 316,814 shares of common stock (par 50 cents) and $2,754,900 6% first mortgage sinking fund bonds due 1972 to be offered in exchange for the outstanding $4.50 prior preferred stock on the following basis: For each preferred share (a) 11½ shares of common stock, or (b) $100 of bonds, plus 1½ shares of stock. The offer is conditioned upon its acceptance by holders of at least 85% of the 27,549 outstanding preferred shares. Exchange Agent — Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

Hampshire Nickel Mines Ltd.
Aug. 23 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price** — 50 cents per share. **Proceeds**—For development of property and for general

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NEW ISSUE CALENDAR

November 14 (Thursday)

Idaho Power Co.----Common
(Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane) 225,000 shares

Idaho Power Co.----Bonds
(Bids noon EST) $15,000,000

Savannah Electric & Power Co.----Bonds
(Bids 11 a.m. EST) $6,000,000

November 15 (Friday)

Illowata Oil Co.----Common
(Wayne Jewell Co.) $90,000

Roach (Hal) Productions----Common
(S D. Fuller & Co.) $1.125,000

Texas Eastern Transmission Corp.---- Preferred
(Dillon, Read & Co Inc.) $20,000,000

Tucson Gas, Electric Light & Power Co.----Common
(Blyth & Co., Inc. and The First Boston Corp. 200,000 shs.

November 18 (Monday)

Coastal Ship Corp.----Debentures
(Eastman Dillon, Union Securities & Co. and White, Weld & Co.) $6,000,000

Hycon Manufacturing Co.----Common
(Dempsey-Tegeler & Co.) 400,000 shares

Lawrence Gas Co.----Bonds
(Bids 10:45 a.m. EST) $2,000,000

Michigan Bell Telephone Co.----Debentures
(Bids 11:30 a.m. EST) $40,000,000

Mystic Valley Gas Co.----Bonds
(Bids 11 a.m. EST) $3,500,000

Ritter Finance Co., Inc.----Debentures
(Stroud & Co., Inc.) $900,000

Ritter Finance Co., Inc.----Class B Common
(Stroud & Co. Inc.) 150,000 shares

United States Coconut Fiber Corp.----Common
(Southeastern Securities Corp.) 735,000 shares

November 19 (Tuesday)

Hawaii (Territory of)----Bonds
(Bids 10 a.m. EST) $7,000,000

Middle South Utilities Inc.----Common
(Bids noon EST) 451,894 shares

Ohio Power Co.----Bonds
(Bids 11 a.m EST) $25.000.000

Pall Corp.----Common
(Schuster & Co., Inc.) $100,000

November 20 (Wednesday)

California Water & Telephone Co.----Common
(Blyth & Co., Inc.) 250,000 shares

Florida Power & Light Co.----Common
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 300,000 shares

Houston Lighting & Power Co.----Bonds
(Bids 11:30 a.m EST) $40.000.000

Johnson Service Co.----Common
(Robert W. Baird & Co., Inc.) 100,000 shares

Lieberknecht (Karl), Inc.----Common
(Bids 11 a.m. EST) 158,025 shares

Olin Mathieson Chemical Corp.----Debentures
(Dillon, Read & Co. Inc. and Eastman Dillon, Union Securities & Co.) $60,000,000

November 21 (Thursday)

General Telephone Co. of the Southwest Preferred
(Mitchum, Jones & Templeton) $5,000,000

Royal McBee Corp.----Debentures
(Offering to stockholders—underwritten by Kuhn, Loeb & Co.) $7,675,300

Ryder System, Inc.----Common
(Blyth & Co., Inc.) 200,000 shares

November 25 (Monday)

Caruso Foods, Inc.----Common
(Anglo-American Securities, Inc.) $300,000

Fine Arts Acceptance Corp.----Debentures
(Woodcock, Hess, Moyer & Co., Inc.; Boenning & Co.; Suplee, Yeatman, Mosley & Co., Inc.; and Paul & Lynch) $525,000

Gold Seal Dairy Products Corp.----Class A Common
(Amos Treat & Co., Inc.) 175,000 shares

November 26 (Tuesday)

Ketchum & Co., Inc.----Common
(Hemphill, Noyes & Co.) 210,000 shares

December 2 (Monday)

Florida Steel Corp.----Common
(Offering to stockholders—underwritten by McDonald & Co. and Kidder, Peabody & Co.) 80,000 shares

December 3 (Tuesday)

Virginia Electric & Power Co.----Bonds
(Bids 11 a.m. EST) $20.000,000

December 4 (Wednesday)

Norfolk & Western Ry.----Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

December 5 (Thursday)

Baltimore & Ohio RR----Equip. Trust Ctfs.
(Bids noon EST) $3,435,000

Wisconsin Public Service Corp.----Bonds
(Bids 10 a.m. EST) $7,000,000

December 9 (Monday)

Chesapeake & Potomac Telephone Co. of Maryland----Debentures
(Bids 11:30 a.m. EST) $30,000,000

Commonwealth Oil Refining Co.----Debentures
(The First Boston Corp.) $20,000,000

December 11 (Wednesday)

Suburban Electric Co----Bonds
(Bids 11 a.m. EST) $4,500,000

January 14, 1958 (Tuesday)

Commonwealth Edison Co.----Bonds Debentures
(Bids to be invited) $50.000,000

January 22, 1958 (Wednesday)

Norfolk & Western Ry.----Equip. Trust Ctfs.
(Bids noon EST) $4.140 000

February 13, 1958 (Thursday)

Indiana & Michigan Electric Co.----Bonds
(Bids 11 a.m. EST) $25,000,000

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corporate purposes. **Office** — Suite 607, 320 Bay St., Toronto, Canada. **Underwriter** — H. J. Cooney & Co., New York.

● Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1967, being offered in exchange for 3% first and general mortgage bonds, series D, due May 1, 1982, of Connecticut Power Co. on a par-for-par basis. The exchange offer expires on Dec. 27. **Underwriter** —None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office** —Fort Lauderdale, Fla. **Underwriter**—None.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

Houston Lighting & Power Co. (11/20)
Oct. 24 filed $40,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co. **Bids**—To be received up to 11:30 a.m. (EST) on Nov. 20 at Two Rector St., New York 6, N. Y.

Hutchinson Telephone Co., Hutchinson, Minn.
Aug. 21 (letter of notification) 1,697 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each five shares held as of Aug. 20, 1957. **Price**—At par ($10 per share). **Proceeds**—For expansion of plant. **Underwriter** —None.

● Hycon Mfg. Co., Pasadena, Calif. (11/18-22)
Oct. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** —To repay bank loan, for capital improvements, research and development costs and working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

● Idaho Power Co. (11/14)
Oct. 16 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To reduce bank loans. **Underwriter**— To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids**—Expected to be received up to noon (EST) on Nov. 14.

Idaho Power Co. (11/14)
Oct. 16 filed 225,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

● Illowata Oil Co. (11/15)
Oct. 24 (letter of notification) 900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and operation of oil properties. **Office**—1509 Mile High Center, Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

Inland Western Loan & Finance Corp.
Aug. 16 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of special participation life or endowment contracts issued by Commercial Life Insurance Co. **Price**— $1.50 per share. **Proceeds**—For operating capital for two subsidiaries and to finance expansion program. **Office**— Phoenix, Ariz. **Underwriter**—None.

International Staple & Machine Co.
Oct. 14 (letter of notification) 20,000 shares of 6% cumulative preferred stock of which 10,000 shares are to be offered to the public and the remainder to stockholders of record Oct. 10, 1957 in exchange for seven shares of common for each share of preferred. Both subscription and tenders for exchange must be received on or before Nov. [illegible], 1957. **Price**—At par ($10 per share). **Proceeds** —For working capital. **Office**—407 Union Trust Building, Pittsburgh 19, Pa. **Underwriter**—None.

Intra State Telephone Co.
Sept. 27 filed 4,900 shares of common stock being offered for subscription by common stockholders on the basis of one new share for each two shares held of record Oct. 18, 1957; rights to expire on Dec. 16, 1957. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans. **Office**—Galesburg, Ill. **Underwriter**—None. Statement effective Oct. 23.

Israel-Mediterranean Petroleum, Inc. of Panama
Sept. 27 filed voting trustees covering 1,000,000 shares of common stock (par one cent). **Price**—At the market on the American Stock Exchange. **Proceeds**—For exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. **Underwriter**—None.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** —To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

● Johnson Service Co., Milwaukee, Wis. (11/20)
Nov. 1 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholder. **Business**—Pneumatic temperature and air conditioning control systems. **Underwriter** — Robert W. Baird & Co., Inc., Wilwaukee, Wis.

● Ketchum & Co., Inc., New York City (11/26)
Sept. 27 filed 210,000 shares of common stock (par $1), of which 43,000 shares are to be offered for account of the company and 167,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including carrying of larger inventories. **Business**—Wholesale drugs. **Underwriter**— Hemphill, Noyes & Co., New York.

● Lawrence Gas Co. (11/18)
Oct. 18 filed $2,000,000 first mortgage bonds, series A, due Nov. 1, 1977. **Proceeds** — To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received at 441 Stuart St., Boston 16, Mass., up to 10:45 a.m. (EST) on Nov. 18.

★ Louisiana Pure Milk Producers Association, Inc.
Nov. 4 (letter of notification) 5,000 shares of class A common stock to be sold to affiliates or other milk producers corporate associations. **Price**—At par ($3 per share). **Proceeds** — For working capital. **Office** — 628 Florida St., Baton Rouge, La. **Underwriter**—None.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds** —For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**— Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

Michigan Bell Telephone Co. (11/18)
Oct. 25 filed $40,000,000 of debentures due Nov. 1, 1992. **Proceeds**—To repay advances from parent. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. **Bids**—To be received up to 11:30 a.m. (EST) on Nov. 18 at Room 2315, 195 Broadway, New York, N. Y.

Middle South Utilities, Inc. (11/19)
Oct. 9 filed 451,894 shares of common stock (par $10). **Proceeds**—For further investments in common stocks of system operating companies; to repay bank loans and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received up to noon (EST) on Nov. 19 at Room 2033, Two Rector St., New York, N. Y.

● Missouri Utilities Co.
Oct. 7 filed 25,135 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 12 shares held as of Oct. 15 (with an oversubscription privilege); rights to expire on Nov. 25. **Price**—$19.50 per share. **Proceeds**—Together with funds from private sale of $800,000 5¾% first mortgage bonds, series C, to be used to retire bank loans and pay for property additions and improvements. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office** —Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

● Mystic Valley Gas Co. (11/18)
Oct. 16 $3,500,000 first mortgage bonds, series B, due 1977. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. **Probable bidders:** Halsey, Stuart & Co. Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Lehman Brothers. **Bids**—To be received up to 11 a.m. (EST) on Nov. 18 at 441 Stuart St., Boston 16, Mass.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds** —For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

National Cylinder Gas Co.
Aug. 28 filed $17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds** —To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

Oglethorpe Life Insurance Co., Savannah, Ga.
Sept. 13 (letter of notification) 26,932 shares of common stock (par $2.50), of which 17,932 shares are being offered to present stockholders and 9,000 shares are offered to employees. **Price** — $11 per share. **Proceeds** —To increase capital and surplus. **Underwriters**—Johnson, Lane, Space Corp. and Varnedoe, Chisholm & Co., both of Savannah, Ga.

Ohio Power Co. (11/19)
Sept. 30 filed $25,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman, Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—To be received up to 11 a.m. (EST) on Nov. 19 at 30 Church St., New York 8, N. Y.

Oil & Gas Ventures—First 1958 Fund, Ltd. and Oil & Gas Ventures—Second 1958 Fund, Ltd., Madison, N. J.
Oct. 29 filed $2,500,000 of participations in capital as limited partnership interests to be offered in $25,000 minimum amounts. **Proceeds**—For acquisition, exploration, etc. of oil properties. **Underwriter** — Mineral Projects Co., Ltd., Madison, N. J.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

Olin Mathieson Chemical Corp. (11/20)
Oct. 31 filed $60,000,000 of convertible subordinated debentures due Nov. 15, 1982. **Price** — To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters**—Dillon, Read & Co. Inc. and Eastman Dillon, Union Securities & Co., both of New York.

● Pacific Great Eastern Ry.
Oct. 25 filed $30,000,000 of sinking fund debentures, series D, due 1987 (guaranteed unconditionally as to principal and interest by the Province of British Columbia). **Price**—To be supplied by amendment. **Proceeds**— To repay bank loans. **Underwriters**—Morgan Stanley & Co., Harris & Partners, Inc. and Burns Bros. & Denton, Inc., all of New York. **Offering**—Indefinitely postponed.

Pacific Petroleums, Ltd.
Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleums, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. **Office**—Calgary, Alberta, Canada. **Underwriter**—None.

Palestine Economic Corp., New York
Sept. 26 filed 130,000 shares of common stock. **Price**— At par ($25 per share). **Proceeds**—For participation in further development of Israel industry; for capital improvements; for extension of cooperative and other banking credit; for financing of export to Israel; for investment in stock of two companies; and for working capital and other corporate purposes. **Underwriter**— None.

● Pall Corp. (Formerly Micro Metallic Corp.) (11/19-21)
Nov. 1 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For inventories, working capital, etc. **Business** — Filtration equipment. **Office**—30 Sea Cliff Ave., Glen Cove, L. I., N. Y. **Underwriter**—Schuster & Co., Inc., New York.

Pan American Tool Co., Houston, Texas
Oct. 28 filed 165,000 shares of common stock (par $1), to be offered in blocks of not less than 3,000 shares. **Price** —To be supplied by amendment. **Proceeds** — To discharge trade accounts payable, to buy tools and equipment and for working capital. **Underwriter**—None.

Pan-Israel Oil Co., Panama
Sept. 27 filed voting trust certificates covering 1,000,000 shares of common stock (par one cent). **Price**—At market on the American Stock Exchange. **Proceeds** — For

exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. **Underwriter**—None.

★ Pearce-Simpson, Inc., Miami, Fla.
Nov. 7 filed 415,450 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For capital expenditures; to retire loans and notes outstanding; and for inventories, tools, and other corporate purposes. **Underwriter**—Christopher Corp., Miami, Fla.

Peoples Security Investment Co.
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

★ Planned Investment Corp., New York
Nov. 13 filed three types of programs for accumulation of shares of the Philadelphia Fund, Inc., namely Systematic Investment Programs With Insurance, Systematic Investment Programs Without Insurance and Single Payment Investing Programs, in the total amount of $2,000,000.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

Pyramid Mining & Metal Corp.
Oct. 24 (letter of notification) 236,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office** — 508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

• Rapid Electrotype Co., Cincinnati, Ohio
Oct. 2 filed $4,854,600 of 7% sinking fund subordinated debentures due Nov. 15, 1967, being offered in exchange for common stock of American Colortype Co. at rate of $40 of debentures for each Colortype common share. The offer will expire Nov. 19, 1957, unless extended, and shall become effective whenever it has been accepted by holders of 40,000 Colortype common shares, but may be declared effective as to all or any lesser number of such shares. Electrotype already owns 125,787 shares (52.66%) of the outstanding Colortype common shares. **Underwriter**—None. Statement effective Oct. 30.

★ Reda Pump Co., Bartlesville, Okla.
Nov. 12 filed $1,000,000 of participations in company's Thrift Plan for eligible employees of company and its subsidiaries, together with 55,556 shares of common stock which may be purchased under said plan. **Underwriter**—None.

Reichhold Chemicals, Inc.
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering** — Temporarily postponed.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

★ Revenue Metal Mines Corp.
Oct. 31 (letter of notification) 9,140 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—For mining expenses. **Office**—2656 4th St., Boulder, Colo. **Underwriter**—None.

Ritter Finance Co., Inc. (11/18-22)
Oct. 11 filed $900,000 of 6% debentures due 1977 (with class B common stock warrants attached), together with 240,000 shares of class B common stock, of which all of the debentures and 150,000 shares of class B stock will be offered publicly and the remaining 90,000 class B shares reserved for exercise of stock warrants. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

• Roach (Hal) Productions (11/15)
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Office**—Culver City, Calif. **Underwriter**—S. D. Fuller & Co., New York.

★ Rocky Mountain Quarter Racing Association, Inc.
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing indebtedness and for working capital. **Office**—Suite 800, 655 Broadway Bldg., Denver, Colo. **Underwriter**—R. B. Ford, Memphis, Tenn.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

Royal McBee Corp. (11/21)
Nov. 1 filed $7,675,300 of 20-year convertible subordinated debentures due Dec. 1, 1977 to be offered for subscription by common stockholders of record Nov. 20, 1957, on the basis of $100 of debentures for each 20 shares of common stock held; rights to expire on Dec. 4. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Indefinitely postponed.

Savannah Electric & Power Co. (11/14)
Oct. 16 filed $6,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Nov. 14 at 90 Broad St., New York, N. Y.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Shacron Oil Corp.
Sept. 11 (letter of notification) 40,000 shares of common stock ((par $1) to be offered for subscription by stockholders; then to public. **Price**—$1.25 per share to stockholders; $1.37½ to public. **Proceeds**—For expenses incidental to drilling of oil wells. **Office**—Suite 14, 1500 Massachusetts Ave., N. W., Washington, D. C. **Underwriter**—None.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily delayed.

★ Skookum Uranium Inc.
Nov. 1 (letter of notification) 400,000 shares of common stock (no par). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—Room 205, Industrial Arts Bldg., E. 802 Pacific, Spokane 3, Wash. **Underwriter**—None. Theodore A. Tester is President.

Smith-Corona, Inc.
Oct. 11 filed $4,235,700 of 6% convertible subordinated debentures due May 1, 1978, being offered for subscription by common stockholders of record Nov. 1 on the basis of $100 principal amount of debentures for each 20 common shares held; rights to expire on Nov. 18. **Price**—100% of principal amount. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—Lehman Brothers, New York.

Southern Colorado Power Co.
Oct. 21 filed $1,780,780 of convertible debentures due Dec. 1, 1972 to be offered for subscription by common stockholders of record about Nov. 13, 1957 on the basis of $100 of debentures for each 40 shares of stock held; rights to expire about Nov. 27, 1957. **Price** — 100% of principal amount. **Proceeds**—Together with funds from private sale of $1,500,000 5⅜% first mortgage bonds, to repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis, both of New York.

• Standard Oil Co. (New Jersey)
Oct. 15 filed 6,549,124 shares of capital stock (par $7) being offered for subscription by stockholders of record Nov. 8, 1957, at the rate of one new share for each 30 shares held; rights to expire on Dec. 18, 1957. **Price**—$44 per share. **Proceeds**—To increase investments in subsidiary and affiliated companies. **Underwriter**—Morgan Stanley & Co., New York.

Standard Steel Products Manufacturing Co.
Oct. 3 (letter of notification) $165,000 of 7% 10-year debentures and 11,000 shares of common stock (par $2.50) to be offered in units of $30 principal amount of debentures and two shares of stock. **Price**—$45 per unit. **Proceeds**—For equipment and working capital. **Office**—2836 S. 16th St., Milwaukee, Wis. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Suburban Electric Co. (12/11)
Nov. 5 filed $4,500,000 first mortgage bonds, series D, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Dec. 11 at 441 Stuart St., Boston 16, Mass.

Surinam Corp., Houston, Tex.
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tex-Star Oil & Gas Corp., Dallas, Texas
Oct. 14 filed 600,000 shares of common stock (par $1) to be offered in exchange for leases on certain properties. **Underwriter**—None.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

• Texas Eastern Transmission Corp. (11/15)
Oct. 24 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For gas expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Trans-America Uranium Mining Corp., Waterloo, Iowa
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

• Tucson Gas, Electric Light & Power Co. (11/15)
Sept. 25 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Blyth & Co., Inc., San Francisco and New York; and The First Boston Corp., New York.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

• United States Coconut Fiber Corp. (11/18-22)
Sept. 30 filed 735,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion program and other corporate purposes. **Office**—Washington, D. C. **Underwriter** — Southeastern Securities Corp., New York.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

Universal Drilling Co., Inc., New Orleans, La.
Oct. 31 filed 400,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Proceeds**—To pay obligations incurred and to be incurred in connection with construction and equipping of a drilling barge; and for working capital and other corporate purposes. **Underwriter**—Kohlmeyer & Co., New Orleans, La.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Victoreen Instrument Co., Cleveland, O.
Oct. 9 filed $1,000,000 of 6% convertible subordinated debentures due Nov. 15, 1967 to be offered for subscription by common stockholders at the rate of $100 of

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debentures for each 100 shares of common stock held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Saunders, Stiver & Co., Cleveland, Ohio.

Virginia Electric & Power Co. (12/3)
Oct. 29 filed $20,000,000 of first and refunding mortgage bonds, series N, due Dec. 1, 1987. **Proceeds**—For construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 3.

Warwick Valley Telephone Co.
Oct. 24 (letter of notification) 4,708 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each two shares held. **Price**—$20 per share. **Proceeds**—For construction of new telephone plant. **Office** — 47-49 Main St., Warwick, N. Y. **Underwriter**—None.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

Western Chrome, Inc., Salt Lake City, Utah
Oct. 10 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To develop chromite mines in Siskiyou County in northern California. **Underwriter**—None. J. Bracken Lee is President.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

• Wisconsin Public Service Corp. (12/5)
Nov. 5 filed $7,000,000 of first mortgage bonds due Dec. 1, 1987. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. **Bids**—Expected to be received up to 10 a.m. (CST) on Dec. 5 at 231 So. La Salle St., Chicago 4, Ill.

Woodbury Telephone Co.
Sept. 23 (letter of notification) 3,533 shares of common stock being offered for subscription by common stockholders of record Oct. 25, 1957 on the basis of one new share for each three shares held; rights to expire Nov. 22, 1957. **Price**—At par ($25 per share). **Proceeds**—To repay all short term bank notes and for construction program. **Office**—Woodbury, Conn. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter** — Teden & Co., Inc., New York. Statement effective Oct. 24.

Zale Jewelry Co., in Dallas, Texas
Oct. 25 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To expand operations and for working capital. **Underwriter** —Eppler, Guerin & Turner, Inc., Dallas, Texas.

Prospective Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

• Baltimore & Ohio RR. (12/5)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Dec. 5 for the purchase from it of $3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Brooklyn Union Gas Co.
Oct. 11 it was announced that company expects to issue and sell $18,000,000 to $20,000,000 mortgage bonds in the first or second quarter of 1958. **Proceeds** — To repay bank loans and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly).

Cambridge Electric Light Co.
Oct. 22 it was reported company may issue $4,500,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Tentatively expected to be received in January.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly) **Offering**—Expected late in 1957.

Chesapeake & Potomac Tel. Co. of Md. (12/9)
July 30 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 9.

City Investing Co., New York
July 30, Robert W. Dowling, President, announced that the directors are giving consideration to the possible future issuance of debentures which could be used largely to acquire investments producing ordinary income as well as those with growth potentials.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Colorado Fuel & Iron Corp.
Oct. 3 it was reported company now plans to issue and sell about $25,000,000 first mortgage bonds due 1977. **Underwriter**—Allen & Co., New York.

Commonwealth Edison Co. (1/14)
Nov. 4 it was announced company plans to sell $50,000,000 of mortgage bonds or debentures. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids**—Tentatively expected to be received on Jan. 14, 1958. **Registration** — Planned for about the middle of December.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

• Crucible Steel Co. of America
Sept. 18 it was announced company planned to offer to its common stockholders the right to subscribe for 101,153 shares of cumulative convertible preferred stock on the basis of one share of preferred stock for each 36 shares of common stock held, but offering has been postponed. Stockholders on Nov. 7 approved the new issue. **Price**—At par ($100 per share). **Proceeds**—Together with funds from sale of additional mortgage bonds, to be used for expansion program. **Underwriter** — The First Boston Corp., New York.

Darco Industries, Inc.
Sept. 23 it was reported registration is expected of approximately 275,000 shares of common stock, of which about 225,000 shares are to be sold for account of company and 50,000 shares for selling stockholders. **Business** —Manufactures products for commercial and military aircraft and missiles. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

Falcon Seaboard Drilling Corp.
Oct. 28 it was reported that a secondary offering of 110,000 shares of common stock is expected. **Underwriter** —Lehman Brothers, New York.

Federation Bank & Trust Co. (N. Y.)
Sept. 12 it was announced stockholders will be given the right to subscribe for 118,900 additional shares of capital stock at the rate of one new share for each three shares held of record Oct. 18, 1957; rights to expire on Dec. 6, 1957. **Price**—$21 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

★ Gulf, Mobile & Ohio RR.
Nov. 8 company applied to the ICC for permission to issue $28,343,300 of 5% income debentures to mature Dec. 1, 2056 in exchange for the 283,438 shares of outstanding $5 preferred stock (no par) on the basis of $100 of debentures for each preferred share.

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Hawaii (Territory of) (11/19)
The Treasurer of the Territory, at the Bankers Trust Co., Room 1515, 14 Wall Street, New York, N. Y., will up to 10 a.m. (EST) on Nov. 19 receive bids for the purchase from the Territory of $7,000,000 public improvement bonds, series B, dated Nov. 15, 1957 and due annually on Nov. 15, each year, to and including Nov. 15, 1977.

Indiana & Michigan Electric Co. (2/13/58)
Oct. 21 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Proceeds** —For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 13, 1958.

Laclede Gas Co.
Aug. 5 it was announced company plans to raise up to $11,700,000 new money this year through sale of new securities. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly).

Lieberknecht (Karl), Inc. (11/20)
Bids will be received up to 11 a.m. (EST) on Nov. 20 at the Office of Alien Property, 101 Indiana Avenue, N. W., Washington 25, D. C., for the purchase from the Attorney General of the United States, as an entirety, of 158,025 shares of capital stock (no par) of this corporation. This represents 63.21% of the total number of shares outstanding. On Oct. 17, 1956, the Attorney General rejected all bids received for the stock, including a high bid of $3,005,100.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of first mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mangel Stores Corp.
June 19 it was reported company plans registration of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

★ Montreal (City of)
Nov. 8 it was voted to sell $18,000,000 of debentures in the United States. Initial steps in marketing the issue are expected in four or five weeks.

Montreal Metropolitan Commission
Sept. 26 it was reported an issue of bonds may be publicly offered in the United States. The Commission rejected a bid of 92.64% for an issue of $6,376,000 of 20-year bonds with an interest rate of 5½%. **Underwriter** —May be determined by competitive bidding. Probable bidders: Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co., and Blyth & Co., Inc. (jointly); Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (jointly).

New Orleans Public Service Inc.
Nov. 5 it was announced company plans to offer to its common stockholders the privilege of subscribing for 157,851 additional shares of common stock at the rate of one new share for each eight shares held. Middle South Utilities, Inc., as holder of 1,215,089 shares (96.22%) of the outstanding common stock, proposes to acquire its pro rata share of the additional stock. **Price**—$25 per share. **Proceeds** — For construction program. **Underwriter**—None.

Norfolk & Western Ry. (12/4) (1/22)
Bids are expected to be received by this company up to noon (EST) on Dec. 4 for the purchase from it of $4,140,000 equipment trust certificates (second instalment) to mature semi-annually from May 1, 1958 to and in-

cluding Nov. 1, 1972. Bids for the remaining $4,140,000 of certificates of the same issue (third instalment) are expected to be received up to noon (EST) on Jan. 22. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
Aug. 29 this company announced that it has deferred until the first half of 1958 its plan to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds** — For construction program. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern Natural Gas Co.
Sept. 9 it was reported company plans to issue and sell $25,000,000 of debentures due 1977. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Northern Natural Gas Co.
Nov. 5 the directors authorized the issuance of additional shares of common stock (par $10), to be offered early in 1958 to common stockholders on the basis of one new share for each eight shares held. **Underwriter**—None.

Ohio Water Service Co.
Sept. 26 it was reported company to issue and sell in November an issue of $1,500,000 convertible subordinated debentures. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in near future.

Pacific Gas & Electric Co.
Oct. 16 directors authorized the sale of $60,000,000 first and refunding mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Offering** — Expected either in December, 1957 or in January, 1958.

Permian Basin Pipeline Co.
Oct. 23 it was announced company, a subsidiary of Northern Natural Gas Co., is in the process of formulating a new financing plan. **Proceeds**—To repay advances from parent, and for new construction. **Underwriter**—Glore, Forgan & Co., New York.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in the Fall of 1957 or in 1958 $25,000,000 of preferred stock. **Proceeds** — For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

★ **Puerto Rico (Capital of)**
Nov. 12 it was reported that an issue of $3,000,000 bonds due serially to 1974. **Proceeds**—To finance public improvements. **Bids**—Expected to be received on Nov. 20.

Quebec Hydro-Electric Commission
Oct. 7 it was reported that the company may be considering a proposal to raise between $30,000,000 and $50,000,000 additional funds this year. **Underwriters**—The First Boston Corp. and A. E. Ames & Co., both of New York.

★ **Republic National Bank of Dallas (11/25)**
Nov. 12 it was announced that Bank plans to offer to its stockholders of record Nov. 25, 1957, the right to subscribe for 223,125 additional shares of capital stock (par $12) at the rate of one new share for each 12 shares held. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Walker, Austin & Waggoner, The First Southwest Co. and Dallas Rupe & Son, all of Dallas, Tex.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

Royal Dutch Petroleum Co.
Oct. 3 it was announced company plans early in 1958 to raise between Fls.800 million and Fls.1,000 million (equivalent to $211,000,000 and $263,000,000) through a "rights" offering to stockholders. **Price** — To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co. in U. S.

● **Ryder System, Inc. (11/21)**
Aug. 28 it was announced company plans to sell publicly in the Fall an additional 200,000 shares of its common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., New York.

Shell Transport & Trading Co., Ltd.
Oct. 3 it was announced company plans to offer to stockholders early in 1958 between £40,000,000 and £55,000,000 additional capital stock (equivalent to $112,000,000 and $154,000,000). **Price** — To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Grenfell & Co., Ltd., London, England.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until the Fall.

Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

Toledo Scale Co.
Sept. 26 it was reported that, following merger with Houghton Elevator Co., Toledo Scale Co. plans to issue some additional common stock. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in November.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

★ **Tuttle Engineering, Inc., Arcadia, Calif.**
Nov. 6, Harry Oedekerk, Chairman of the Board, announced corporation plans a public stock issue in the near future. **Proceeds**—For working capital and other corporate purposes.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Washington Water Power Co.
Oct. 8, Kensey M. Robinson, President, stated that the company will come into the market early next year, probably in January, with $30,000,000 of new public financing, mostly in bonds, but may include some debentures. **Proceeds**—For construction program. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

Wisconsin Southern Gas Co., Inc.
Oct. 17 it was reported company plans to offer to stockholders of record about Nov. 15, for a 14-day standby, an additional 16,566 shares of common stock on a 1-for-7 basis. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Haydon & Co. and Bell & Farrell, Inc., both of Madison, Wis.

McGraw-Hill Survey Projects Small Decrease In Capital Expenditures for 1958

Capital spending by business in 1958-1959 to drop 7%; but remaining 20% above the level of 1955, and only slightly below 1956. Increased expenditures on research and development reported.

Despite some reduction in business' plans for capital expenditures in 1958 and 1959, the level now planned for that period is high compared to most previous years.

Dexter M. Keezer

This is the principal finding of a preliminary survey of Business' Plans for New Plants and Equipment, released Nov. 8 by Dr. Dexter M. Keezer, Vice-President and Director of the McGraw-Hill Publishing Company's Department of Economics which conducted the survey during October.

Business, the survey finds, plans to reduce capital expenditures in 1958 by 7% overall, as compared with 1957. But the 1958 total is 20% more than actual spending in 1955 and only slightly less than in 1956. There is some evidence, too, from the plans of manufacturing companies for two years ahead, that capital expenditures may stabilize in 1959. Only 23% of those reporting now plan a further reduction in capital spending for 1959. At this time last year, 32% planned to cut 1958 below 1957. Of those reporting now, 77% plan to maintain or increase expenditures in 1959, compared with 74% in October, 1955, and only 68% of those reporting last year whose plans were holding up for two years ahead.

Research and Development

Most companies report they plan to maintain or increase expenditures on research and development in 1958. About one-third say they will make substantial capital expenditures after 1959, as a result of these research programs, including many of the larger companies that have a heavy weight in the spending total. Most frequent reports of increases in research are in the paper, electrical, chemical and rubber industries, which also show especially strong intentions for capital spending based on research, in the years after 1959.

The drop in 1958 capital expenditures is concentrated in manufacturing, where plans call for a 16% reduction next year. Offsetting this is a planned increase of 3% by electric and gas utilities and small increases by the petroleum industry, and by the transportation and communications industries (excepting railroads).

All Plan to Curtail

Almost all major industries, and all size groups of companies, are now planning to spend less in 1958 than they reported earlier this year, in the McGraw-Hill Spring survey. The main reason for the drop is the sharp increase in manufacturing capacity, while production has been levelling out. Manufacturing industries, on the average, operated at 82% of capacity in September.

Other findings of the survey were:

Almost every manufacturing industry plans to reduce capital expenditures in 1958. An exception is the electrical machinery industry, which plans a 13% increase.

Capital spending is holding up relatively well in the chemical process industries, with plans for 1958 up 5% in petroleum refining and off only 4% in chemicals, seven in rubber and nine in stone, clay and glass.

Very large declines are reported for the basic materials industries: 24% for steel, 38% nonferrous metals, and 24% for paper and pulp. In metalworking, as foreshadowed by the recent decline in machine tool orders, planned spending is off sharply. The auto industry plans to spend 30% less next year. Other transport equipment makers (including aircraft) are cutting investment 16%; machinery, 17; other metalworking, 28.

Food, textile and miscellaneous manufacturing industries show declines of 10 to more than 20%.

Non-Manufacturing Industries

The electric and gas utilities, after spending more than $6 billion on new plants and equipment in 1957, are planning a 3% increase in '58. This, the report, points out, may reflect rising costs. In 1959, almost half the reporting electric utilities plan to reduce capital expenditures, compared with 31% reporting plans for the same level, and 24% planning an increase. This may indicate that some original plans for 1959 are now being stretched into 1960.

The petroleum industry, which also spent about six billion in '57, plans a small increase in '58. Slightly larger drilling expenditures, more tankers and more refinery expenditures (some carried over from '57) account for the step-up.

Mining expenditures show a sharp drop, except for companies mining iron ore, which plan a 10% increase.

Railroads Cutting

Railroads plan to cut back capital spending by 27% in '58; in the "other transportation and communications" group, a small overall increase results from the planned deliveries of merchant ships and new airliners.

Commercial business firms reduced their expenditures sharply in 1957 and plan some further reduction next year. Indications are that 1958 probably will not be off as much, but there is no sign as to when expenditures will start up again. Almost twice as many of the big commercial firms plan to reduce spending in 1959 as plan to increase.

For the first time since 1955, every manufacturing industry is now operating at a lower rate of capacity than it generally prefers, but there are no industries reporting really depressed levels of business.

Effects of changes in the defense program are showing up in planning by the aircraft industry. Only 18% of the aircraft and parts companies plan higher research spending next year, and 27% are cutting back. This is twice the proportion of any other industry.

A little more than one-third of all manufacturing companies say they expect research to create significant opportunities for capital spending by the years after 1959.

With Thill Secs.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Edwin S. Day has become connected with Thill Securities Corporation, 704 North Broadway.

Two With Jonathan

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Meyer Berner and George S. Cutting have been added to the staff of Jonathan & Co., 6399 Wilshire Boulevard.

M. J. Ross Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Murry Bramson has become affiliated with M. J. Ross & Co., 6505 Wilshire Boulevard.

With Bennett-Gladstone

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Kenneth du Vall and Joseph J. Conlin are now with Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard.

F. I. du Pont Adds

(Special to The Financial Chronicle)

SARASOTA, Fla. — Cecil G. Bundy is now with Francis I. du Pont & Co., 1286 North Palm Avenue. He was formerly with Goodbody & Co.

Joins French & Crawford

(Special to The Financial Chronicle)

ATLANTA, Ga. — Theodore W. Anderson has joined the staff of French & Crawford, Inc., 68 Spring Street, Northwest.

Mutual Funds

By ROBERT R. RICH

Boston Fund's Report on College Funds

More than 55% of the endowment funds of 42 prominent colleges and universities were in common stocks on June 30 of this year, according to a preliminary report of the 1957 study being made by Boston Fund.

The figures cover institutions with aggregate endowment funds of $2,494,198,930. A similar tabulation as of June 30, 1956 also showed approximately 55% of the endowment funds in common stocks.

Individual endowments included in the survey range in size from $500,962,260 for Harvard to $3,793,241 for Bates College, in Lewiston, Maine. Among endowments of more than $100,000,000 are those of Yale, University of Chicago, Northwestern, Massachusetts Institute of Technology, University of Rochester and Cornell.

The figures show that 31 of the endowment funds had over 50% of their total assets in common stocks and 13 of them had 60% or more so invested. "Brevits" notes that this contrasts with a similar study 10 years ago when the great majority of such endowment funds had less than one-third of their investments in common stocks.

On an overall basis, the present survey indicates that the institutions had 32.0% in bonds and cash, 3.3% in preferred stocks, 55.1% in common stocks, 8.4% in real estate or mortgages and 1.2% in other forms of investment.

Commenting on the figures, Boardman Bump, a director of Boston Fund and Treasurer of Mount Holyoke College, observes in part:

"In the realization that no one type of security is suitable under all conditions and that it is impossible to predict the future, the managers of college endowment funds have employed policies and methods very similar to those used by investment companies like Boston Fund and other 'permanent' institutional investors to attain satisfactory long-term results.

"They hold bonds and preferred stocks to provide relative stability of income and capital. They hold a carefully selected, diversified group of common stocks to provide current income and for a growth potential which will partially offset losses in purchasing power. They are also constantly watching for signs of changes in long-term trends which may indicate the desirability of adjustments between different types of securities."

New England Fund Declines Only 5.3%

The Trustees of New England Fund — a fully-managed investment trust with its assets currently over 40% invested in defensive-type holdings — on Oct. 25 made public their report to shareholders for the nine months ended Sept. 30, 1957. The fund's per-share net asset value was $19.05 on Sept. 30. Adding back the 23 cents paid from net long-term capital gains on Jan. 30, the adjusted value of $19.28 compares with $20.35 at the 1956 year-end, a 5.3% decline.

This reflects the effect of the general decline in security prices over the nine months — common stocks as measured by the Dow-Jones Industrial Average were down 8.6%; Standard & Poor's Preferred Stock Index was off 3.4%; and the Dow-Jones 40-Bond Average was off 13.6%. The Trustees comment, in part, as follows on the fund's relatively limited decline:

" . . . In contrast to the sharp (13.6%) drop in the cited bond average, the bond portion of the fund's portfolio was off only about 1% because it was for the most part concentrated in highly liquid short-term securities. . . . History has shown time and again that the strongest inflationary trends may be interrupted or even quite sharply reversed for varying lengths of time. . . . In addition, the fund's sizable defensive position provides money that is readily available to take advantage of more favorable buying levels for common stocks whenever general business and economic conditions appear more propitious. . . ."

The report will be mailed to shareholders together with the 104th consecutive quarterly dividend from net investment income on Nov. 1. The fourth and final dividend from income in 1957 is at the rate of 19 cents per share. It brings total dividends to 80 cents per share, thus equaling the all-time high set in 1956. Actual per-share dividends from income have increased 33⅓% from the 60 cents paid in 1948 to the 80 cents paid in 1957. Adjusted to reflect the reinvestment of capital gain distributions totaling $5.96 during those same years, the increase would have been 81⅔% on each share owned continuously since 1948.

Portfolio Changes

Nucleonics, Chemistry & Electronics Shares made the following portfolio changes during the third quarter of 1957: Purchases included 20M Pansteel Metallurgical 4¾% convertible debentures; 30M Airborne Instruments Laboratory 5¾% convertible notes; 50M Spartan Air Services 6s; 400 shares Sonotone Corp. $1.25 convertible preferred; 100 Climax Molybdenum common; 101 P. R. Mallory & Co. and 400 N. V. Phillips Gloeilampenfabrieken. Securities sold in the period included 1,000 shares of Columbia Broadcasting A common; 300 shares Minnesota Mining & Mfg. $4 preferred; 875 shares Stanrock Uranium common, and 2,000 shares Consolidated Denison Mines common.

National Investors' Sales

Sales of shares of National Investors Corp., the growth stock mutual fund, in the month of October, were the largest since February 1956, it was reported by Francis F. Randolph, Chairman and President.

Proceeds to the 21 year-old investment company from 78,300 new shares sold during October totaled $692,277. This compared with $505,983 in the preceding month and with the all-time high for the company, set in February 1956, of $744,570.

Redemptions of shares also increased in October, but the amount was less than half the total received from sales.

Total assets of National Investors approximated $60 million at the end of October.

Funds Purchases Twice Their Sales In October

A study of open-end investment company activity in the stock market during October shows that the 141 open-end members of the National Association of Investment Companies were buyers on balance in the market and that their investors bought more mutual fund shares than they turned in for redemption in the period, according to Edward B. Burr, Executive Director of the Association.

Edward B. Burr

"A previous survey covering the Oct. 1 through Oct. 21 period and based on 79% of the industry's assets showed an almost identical pattern," Mr. Burr said.

During October the Dow-Jones Industrial Average declined 8.0% but regained more than half its loss by month-end.

For the entire month, open-end investment company purchases of common stocks totaled $136,327,000 while the value of common stocks sold from portfolio was $66,346,000.

Investor purchases of new mutual fund shares for the month totaled $135,125,000 while redemptions came to $35,648,000. October was the 23rd consecutive month in which investor purchases of shares exceeded the $100 million mark.

"These figures bear out the market experience of open-end investment companies during previous periods of market decline," Mr. Burr said, "and corroborate the fact that investment company managements buy securities as long-term investments in line with the financial objectives of their investors."

J. A. Plummer Opens

James A. Plummer is conducting a securities business from offices at 30 Broad Street, New York City. Mr. Plummer was previously a partner in Cutter, Plummer & Bennett.

Jerry Williams Opens

TAMPA, Fla.—Jerry Williams has opened offices at 8 Sandpiper Road to engage in a securities business. He was formerly with Gerard R. Jobin Investments Limited.

Two With Merrill Lynch

(Special to The Financial Chronicle)

BOSTON, Mass. — George G. Gatchell, Jr. and Ross B. Kenzie are now affilited with Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

Frank B. Whittemore

Frank B. Whittemore, formerly with the old Stock Exchange firm of Watson, Armstrong & Co., has passed away.

W. N. Neil Opens

DALLAS, Tex. — William H. Neil is conducting a securities business from offices at Mercantile Securities Building. He was previously with North American Securities Company.

Net Income Up For Los Angeles Mutual Fund

Net income for The Investment Company of America, Los Angeles, during the nine months ended Sept. 30, 1957, excluding realized gains on sales of securities, was $2,106,121 as compared with $1,794,111 for the same period in 1956, it was revealed today by Jonathan B. Lovelace, President, in a third quarter report to the stockholders.

This was equivalent to 19.8 cents per share on the average number of shares (10,656,018) outstanding during the nine-months period, as compared with 20.1 cents net income per share similarly computed (on 8,935,274 shares) for the comparable 1956 period.

Total net assets of the fund as of Sept. 30, 1957 were $94,196,462, equivalent to $8.55 per share for each of the 11,021,669 shares outstanding at that date. This compares with net assets at Dec. 31, 1956 of $95,033,012, or $9.43 per share for each of the 10,074,300 shares then outstanding.

During the current year the fund increased its holdings of cash and short-term governments from a low of 4.3% of total assets at March 31 to a high of 18.8% in mid-July, according to the report. On the subsequent market decline, the company made selective purchases of common stocks, with the result that cash and governments equaled 11.2% of assets on Sept. 30.

According to Mr. Lovelace, these funds are available to take advantage of further buying opportunities which may develop in periods of market unsettlement and business readjustment, while a base is being created for a resumption of the upward trend. The management of the fund continue to regard the long-term investment outlook with optimism.

Tri-Continental Up 41% on MIP Buying

Growing investor interest in owning a share of a broadly diversified cross section of securities under full-time professional management is evidenced in the sharp increase in the number of Monthly Investment Plans in the common stock of Tri-Continental Corp., the nation's largest diversified closed-end investment company. The number of shareholders investing in Tri-Continental common under the New York Stock Exchange's MIP has increased by about 41% this year, and the common has far outstripped all other investment companies' shares in popularity.

Tri-Continental common showed an increase of 506 plans in the first nine months of 1957, increasing the number to 1,721. In the third quarter alone, 132 plans were added. The other nine closed-end company stocks ranking among the most popular ten in this field with MIP investors had a combined total of 24 new plans in the same period.

Among the stocks of more than 1,000 of the nation's leading corporations available under the Exchange's Monthly Investment Plan, the only ones leading Tri-Continental common in number of plans are those of General Electric, General Motors, Dow Chemical, Standard Oil of New Jersey, Sperry Rand and Radio Corporation of America. New Tri-Continental plans opened in the third quarter were greater than for any of these companies, except for Standard Oil, which had nine more.

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The Importance of Allies to U. S. Strategy and Policy

War—in political offensives, propaganda duels, psychological campaigns, wars of nerves. Taken together, these are changing the patterns of human society more deeply than did any shooting war in our recorded past.

Technology and ideology—these span the fields of tension now prevailing everywhere. Though so different in character—one being in the domain of matter, the other in the domain of mind and spirit—they are nevertheless part of a single challenge. The penalty for ignoring or underrating the ideological end and concentrating almost entirely on the technological end of the great span, can be total defeat. The surest way to prevent it is to *win* the Cold War. *For we can freeze to death as well as burn to death.*

The alarming fact is that, in the free world today, there is nowhere near the concentration on the ideological front that there is on the technological front. At first, in the immediate postwar years, we ignored both sections of the span. We dismantled our magnificent military machine and at the same time gave unimpeded right of way to Communist mischief in both Europe and Asia. It took a series of major disasters—the conquest of Czechoslovakia, the fall of China, the Korean aggression—to splinter our smugness.

Belatedly and reluctantly we recognized the reality of the Cold War and the danger of a Hot War. So we went to the aid of Greece, launched the Marshall Plan, undertook the building of defensive alliances, and started large-scale military programs.

Sputnik—the Soviet-made satellite—streaking through our American skies, is significant proof that Russia is making greater and faster progress in technology than was expected even by some of our experts. We have seen, too, how cleverly and swiftly the Communist leaders exploit their technological advances to create a psychological impact upon people everywhere.

Cold Facts of the Cold War

Because military forces and weapons in the hands of ruthless dictators represent a more familiar type of menace, our people over the years have been more readily aroused to organize and sacrifice in this area. The ideological challenge seemed somehow too vague and esoteric to galvanize us into full action. The pervasive fear of nuclear war, in fact, fostered the delusion that we were enjoying peace, though in truth our world, our interests, our system of human values were under continuous assault.

Not without bruised egos, we have gone through several binges of wishful thinking. Recall how recently, after Stalin's death, some people hailed the end of the Cold War because of a supposed New Look and a Diplomacy of Smiles in Moscow. Then something called the "Geneva spirit" was born on a Swiss summit. That blithe spirit, alas, had already departed by the time Khrushchev and Bulganin came to England to celebrate its birth.

Only this July, when old-timers like Molotov and Kaganovich bit the dust, our mood was one of hopeful speculation. The hope applied in particular to the talks on disarmament then under way in London, talks that soon thereafter petered out in the usual futility.

One after another these desperate hopes have foundered on the rocks of Communist inflexibility of purpose. The temporary balmy weather has not melted the ice of the Cold War. Soviet foreign policy just now is as tough and aggressive, its blasts against the free nations are as chill and blustery, as in some of the nastiest Stalin seasons.

Gromyko at the United Nations Assembly still made some of the familiar noises about "peaceful coexistence," but he left no doubt that we could have that blessed commodity only on strictly Communist terms. Since the launching of Russia's artificial satellite, Khrushchev has joined this chorus by suggesting a Two-Power deal, over the heads of our allies. Red propaganda continues to play variations on the theme of "relaxing tensions" but it is only background music while the Communists go on steadily blowing up little troubles into big ones. Moscow, in short, exploits our yearning for peace, as the best way of destroying any sense of urgency, on our part, in relation to the political struggle.

Soviet Russia's influence in world affairs is growing. For the first time in history, Russia has obtained a foothold in the Middle East and thereby in the entire Mediterranean. Its naval ships prowl the Mediterranean and the Red Seas, while Soviet arms and planes and submarines pour into Egypt, Syria and Yemen. Communists have won control in a key State in India and in British Guiana; pro-Western leaders have been ousted in Ceylon; Moscow's influence grows apace in Indonesia; Red China has intensified its pressures on Burma, South Vietnam and other neighbors.

Only two weeks ago, the British Foreign Secretary, Mr. Selwyn Lloyd, publicly voiced anxiety about the continuing Soviet infiltration and subversion "in most of the countries of Asia and Africa." He said: "This process is going on. How far it has got varies. But the Communist forces are at work, eating away—an implacable, unrelenting onward movement."

Most serious of all, in the context of the war of ideas, the Communists retain substantial initiative in the propaganda duel, often to the point of monopoly. Despite its barbarous behavior in Hungary, Soviet Russia still gets away with the outrageous pose of champion of anti-colonial movements in Asia and Africa. Even while brandishing its ballistic missile and its space satellite, it is accepted by millions the world over as the noble champion of peace and nuclear disarmament. The spokesmen of freedom and genuine peace are still on the defensive.

The Critical Time Element

Time for an adequate Cold War offensive—not a mere holding action but an offensive geared to victory—is running out. If we are to prevent defeat in this area we must intensify our efforts in the field of psychological warfare, which I prefer to call *psychological peacefare.*

Mr. Allen W. Dulles, Director of the Central Intelligence Agency, concluded a recent address in San Francisco with these words: "The people of Russia, if given the time to continue their evolution to freedom out of the narrow bounds of Communist dictatorship, will themselves help to find a peaceful solution." He put his finger on the most important "if"—*the time element.*

For the shadow of the ultimate weapon grows more ominous on the horizons of human affairs. If we are to win the Cold war, or at least obtain the upper hand in it, this must be done before mankind is overwhelmed by the holocaust of hydrogen war.

And this brings me back to the technological pole in that arch of power. The Kremlin recently announced a successful test of an Intercontinental Ballistic Missile, and claimed that it had reached its target area "a huge distance" away.

The Moscow announcement on the I. C. B. M. may be exaggerated but it is not safe to rely on that assumption. The crucial fact is that the perfection of this weapon is now inevitable. Both sides know its principles and techniques. It is only a matter of time, therefore, before both sides have an operational missile, after which its mass production will become as routine as the present production of atomic bombs. Here, again *the time element* is all-important.

Dangers of "Dreadful Parity"

Because electronics is at the heart of this weapon, I have been close enough to its development to believe that this climax will be reached within five years, and possibly sooner. At that point the prime rivals will have achieved the stalemate that figures in my own mind as *Dreadful Parity.*

An edifice of wishful thinking has been erected on that Dreadful Parity. But I, for one, am convinced that it rests on shifting sands, not on the granite of reality. The argument goes that with each side capable of annihilating the other, war will have become "impossible" — "unthinkable" is the consoling word most often used.

The argument makes logic. But unhappily logic is not the final or even the main ingredient in the conduct of men and nations. Emotion, raised to a pitch of hysteria by the very magnitude of the menace, may vanquish reason. Catastrophe could be touched off by miscalculation. The temptation to strike a sudden knockout blow may prove insuperable to madmen in places of power, to paranoiac fanatics, to dictators in a mood of desperation. We cannot know who will be Khrushchev's successor in the Kremlin, nor how soon he may appear.

Secretary of State Dulles makes an ominous observation in an article in the October issue of *Foreign Affairs.* "Such weapons," he writes, "might in the future get into the hands of irresponsible dictators and be used as a form of international blackmail." They may, indeed, and that opens up another vista of danger in the hour of Dreadful Parity.

What if Red China, with a Soviet gift of missiles in its possession, chooses to end the impasse in Formosa or Korea at one blow? What if a Nasser, or some new pocket-edition Hitler who may emerge in the interim, has a nervous finger on the pushbutton of thermonuclear doom? What starts as blackmail can end as bombing.

No doubt it is true that "nobody wants a third world war." It is the kind of generalization, however, that breeds dangerous complacency. In effect it enables the Communists to operate with impunity as long as their aggressions are too small in scope, and well enough spaced in time, to avoid the showdown.

Moscow is too wise to risk a challenge so immense and alarming that free peoples will be shocked into armed resistance. Instead it spreads its challenge thin —in a series of moves, no single one of which would provoke or justify war. Yet the sum-total of seemingly minor and unrelated Soviet victories could amount to absolute defeat for the West. When the current Syrian episode, for instance, is evaluated a few years hence in the mosaic of an array of "Syrias" it may be recognized as infinitely more provocative than it looks right now.

Two Vital Principles

It seems to me vital that we grasp two principles: First, the more "unthinkable" a final showdown becomes, the more successful the Soviets will be in their *strategy of nibbling* on what remains of our freedom and independence. Second, the more terrifying weapons become, the more effective becomes the Communist *strategy of intimidation.*

The dangers inherent in both these strategies have been immensely enlarged by the Soviet triumph in launching the first artificial satellite. Its military importance is not immediate. But its psychological impact *is* immediate and can be very harmful. It adds enormously to Soviet Russia's capacity to frighten small nations into neutralism or submission and to exact political blackmail from some big nations. More than ever before, a world with its eyes fixed upon the Soviet-made "moon" will be inclined to yield on a piecemeal basis rather than risk war.

Let us grant, for argument's sake, that a military stalemate would cancel out the chance of a decision by a Hot War, as so many believe it will. Doesn't this, in common sense, imply that the decision will be sought by the Communists on another level, by other means? The importance of the Cold War would actually be multiplied a hundredfold. And this makes the struggle, by means short of total war, our paramount concern.

The Great Need—To Win the Cold War

The stakes are too high to gamble survival on the thin margin of hope that logic will prevail. For even sheer accident may wash out hopes geared to logic. We must do all we can to prevent a Hot War and I firmly believe that the surest way to prevent it is to fight and *win* the Cold War.

After all, we are not without opportunities for taking the initiative. The Soviet empire is racked by inner pressures, problems and dangers. The enemy expertly exploits our internal tensions, yet his own tensions are vastly greater.

The *moral* prestige of Soviet Communism—after the disclosures of Stalin's crimes during 25 of the 40 Soviet years, and after the barbarous suppression of the Hungarian people — is lower than ever before. It has taken a nosedive especially within the Communist world itself. The Soviet intellectuals, whose number is growing larger all the time, are reaching out more courageously for some mental and creative freedoms. Students and young people generally are ever bolder in asking questions and rejecting party-line answers. The peasantry still remains unreconciled to its collectivized fate. The people's elementary needs for food, clothes, housing, everyday consumer goods are still being met with promissory notes that are being repeatedly renewed rather than fulfilled. Meanwhile, the murderous struggle for power among the hierarchs goes on without abatement.

Khrushchev and his henchmen are caught in a dilemma. Their economy and the rise of a newly educated managerial class require some degree of personal freedom and initiative. But when the terror is relaxed, all the pent-up hostility of the people breaks tc the surface in demands tha threaten the survival of the re gime. So their policy swings ir panic between gestures of mod eration and renewals of terror.

This certainly does not mear that we can sit back and wait for Communism to disintegrate fror within. That would be to forget *the time element* — the ticking clock of the coming Dreadful Parity. No, we must and can hasten the processes of disintegration with every resource at our disposal — moral, psychological, political, diplomatic, economic. We must make common cause with the millions of Communist victims already our allies and draw tens of millions more into the alliance. We must increase pressures against the Soviets from every possible direction. There is a NATO for combined *Military Defense.* Is it too much to hope that a NATO can be formed for combined operations on *Political Defense?*

Sees But Five Years

I believe that we have possibly five years within which to take the necessary steps to head off catastrophe for the human race. But, the perils we face and the urgency of the situation, admonish us not to waste even five minutes of this precious time. The free world under American leadership must concentrate its best energies and resources on the supreme task of weakening World Communism — from within and from outside—to the point where it ceases to be a peril. When this is accomplished, the United Nations will have the first real opportunity to achieve agreement between nations on a practical program of disarmament and to establish effective safeguards against nuclear devastation.

Even in this period of grace before the advent of Dreadful Parity, physical force will, of course, weigh heavily in the scales. The Soviets have invariably put bombs before bread and shoes, despite the serious risk to their political stability involved in depriving their people of bread and shoes.

We must exert our best efforts to lead, and in all events not to fall behind in the race for weapon ascendancy. We must maintain well-balanced forces for air, ground and sea. We must resolve whatever inter-service conflicts there may be in the field of ballistic missiles and related weapons, and speed up their development into operational forms.

We must stimulate our promising young people to pursue courses in science, engineering and related subjects and increase their opportunities to obtain an education in these fields. The effectiveness of modern industry, as well as modern weapons, depends upon an adequate supply of trained manpower. At the same time, the United States must preserve and fortify its ability to intercede quickly and decisively in menacing situations short of general war. We must preserve our economic strength and maintain our financial stability. We must stockpile and protect the sources of vital strategic materials and help sustain the military health of our allies and friends. This is indispensable insurance.

To attain all these objectives, we must have an informed public whose interest and criticism can be determining factors in the

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 17	§77.5	*78.0	80.9	100.2
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 17	§1,984,000	*1,996,000	2,070,000	2,466,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 1	6,711,570	6,765,675	6,811,550	6,981,100
Crude runs to stills—daily average (bbls.)	Nov. 1	¶7,580,000	7,649,000	7,779,000	7,853,000
Gasoline output (bbls.)	Nov. 1	27,024,000	27,350,000	27,793,000	26,620,000
Kerosene output (bbls.)	Nov. 1	1,502,000	2,007,000	1,651,000	2,507,000
Distillate fuel oil output (bbls.)	Nov. 1	12,077,000	12,126,000	12,305,000	12,477,000
Residual fuel oil output (bbls.)	Nov. 1	7,354,000	6,981,000	7,659,000	7,835,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 1	181,410,000	179,288,000	177,383,000	172,626,000
Kerosene (bbls.) at	Nov. 1	34,264,000	35,486,000	35,775,000	35,235,000
Distillate fuel oil (bbls.) at	Nov. 1	174,772,000	*175,469,000	171,291,000	158,685,000
Residual fuel oil (bbls.) at	Nov. 1	59,343,000	59,465,000	58,103,000	48,071,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 2	713,994	703,688	747,647	800,367
Revenue freight received from connections (no. of cars)	Nov. 2	590,734	592,853	620,045	662,299
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 7	$147,911,000	$370,736,000	$323,874,000	$281,014,000
Private construction	Nov. 7	77,323,000	223,819,000	150,417,000	168,082,000
Public construction	Nov. 7	70,588,000	146,917,000	173,457,000	112,932,000
State and municipal	Nov. 7	58,622,000	124,741,000	120,251,000	97,772,000
Federal	Nov. 7	11,966,000	22,176,000	53,206,000	15,160,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 2	9,770,000	9,880,000	9,950,000	10,550,000
Pennsylvania anthracite (tons)	Nov. 2	393,000	430,000	556,000	504,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 2	122	127	127	124
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 9	11,914,000	11,860,000	11,709,000	11,522,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 7	266	250	244	219
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 5	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Nov. 5	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Nov. 5	$33.33	$34.00	$39.33	$59.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 6	26.175c	26.200c	26.475c	35.700c
Export refinery at	Nov. 6	23.400c	22.700c	23.700c	34.825c
Lead (New York) at	Nov. 6	13.500c	13.500c	14.000c	16.000c
Lead (St. Louis) at	Nov. 6	13.300c	13.300c	13.800c	15.800c
‡Zinc (delivered) at	Nov. 6	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Nov. 6	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Nov. 6	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Nov. 6	89.500c	91.000c	92.625c	112.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 12	87.63	86.88	86.67	90.83
Average corporate	Nov. 12	88.67	88.81	89.64	98.25
Aaa	Nov. 12	94.12	94.26	94.86	101.64
Aa	Nov. 12	91.62	91.62	92.06	100.49
A	Nov. 12	88.81	88.81	89.37	98.25
Baa	Nov. 12	80.93	81.42	82.77	92.79
Railroad Group	Nov. 12	86.91	87.32	88.13	96.54
Public Utilities Group	Nov. 12	88.67	88.67	89.23	98.41
Industrials Group	Nov. 12	90.48	90.48	91.48	99.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 12	3.58	3.65	3.68	3.25
Average corporate	Nov. 12	4.51	4.50	4.44	3.86
Aaa	Nov. 12	4.13	4.12	4.08	3.65
Aa	Nov. 12	4.30	4.30	4.27	3.72
A	Nov. 12	4.50	4.50	4.46	3.86
Baa	Nov. 12	5.11	5.07	4.96	4.22
Railroad Group	Nov. 12	4.64	4.61	4.55	3.97
Public Utilities Group	Nov. 12	4.51	4.51	4.47	3.85
Industrials Group	Nov. 12	4.38	4.38	4.31	3.78
MOODY'S COMMODITY INDEX	Nov. 12	385.0	385.5	388.1	423.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 2	358,296	243,205	403,701	372,488
Production (tons)	Nov. 2	292,063	204,159	298,603	282,327
Percentage of activity	Nov. 2	94	97	97	96
Unfilled orders (tons) at end of period	Nov. 2	481,299	414,615	547,046	490,515
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 8	109.55	109.89	110.13	109.48
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 19	1,703,110	2,210,230	1,046,390	1,058,420
Short sales	Oct. 19	414,360	368,300	238,830	185,960
Other sales	Oct. 19	1,463,990	1,713,320	868,320	900,990
Total sales	Oct. 19	1,878,350	2,081,620	1,107,150	1,086,950
Other transactions initiated on the floor—					
Total purchases	Oct. 19	323,270	485,270	193,650	254,190
Short sales	Oct. 19	93,100	87,140	31,900	22,600
Other sales	Oct. 19	313,170	390,910	231,380	279,910
Total sales	Oct. 19	406,270	478,050	263,280	302,510
Other transactions initiated off the floor—					
Total purchases	Oct. 19	576,645	676,510	395,600	406,350
Short sales	Oct. 19	116,360	148,240	65,290	79,090
Other sales	Oct. 19	574,937	655,995	367,065	504,230
Total sales	Oct. 19	691,297	804,235	432,355	583,320
Total round-lot transactions for account of members—					
Total purchases	Oct. 19	2,603,025	3,372,010	1,635,640	1,718,960
Short sales	Oct. 19	623,820	603,680	336,020	287,650
Other sales	Oct. 19	2,352,097	2,760,225	1,466,765	1,685 130
Total sales	Oct. 19	2,975,917	3,363,905	1,802,785	1,972,780
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Oct. 19	1,791,226	1,857,790	1,066,245	1,044,342
Dollar value	Oct. 19	$73,447,547	$80,770,972	$48,894,082	$57,470,360
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 19	1,144,528	1,370,166	782,621	755,729
Customers' short sales	Oct. 19	30,134	32,680	9,074	6,587
Customers' other sales	Oct. 19	1,114,394	1,337,486	773,547	749,142
Dollar value	Oct. 19	$49,034,626	$63,011,222	$36,867,319	$37,294,134
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 19	209,830	304,730	186,480	205,480
Short sales	Oct. 19	------	------	------	------
Other sales	Oct. 19	209,830	304,730	186,480	205,480
Round-lot purchases by dealers—					
Number of shares	Oct. 19	837,240	825,990	448,610	481,950
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Oct. 19	961,750	972,060	446,520	379,100
Other sales	Oct. 19	13,242,310	15,363,520	8,103,190	8,201,770
Total sales	Oct. 19	14,204,060	16,335,580	8,549,710	8,580,870
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Nov. 5	117.5	117.5	117.6	115.4
Farm products	Nov. 4	90.7	90.9	91.3	87.9
Processed foods	Nov. 5	104.9	105.1	105.0	102.6
Meats	Nov. 5	90.1	*90.5	91.6	80.8
All commodities other than farm and foods	Nov. 5	125.6	125.6	125.7	123.6

*Revised figure. ¶Includes 905,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of September (in thousands)	$189,297,000	$190,529,000	$167,154,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of September:			
Manufacturing number	182	204	140
Wholesale number	96	97	85
Retail number	535	588	489
Construction number	164	165	146
Commercial service number	94	91	72
Total number	1,071	1,145	932
Manufacturers' liabilities	$13,901,000	$12,847,000	$9,539,000
Wholesale liabilities	7,690,000	3,158,000	4,220,000
Retail liabilities	13,653,000	14,752,000	15,656,000
Construction liabilities	5,618,000	10,426,000	7,840,000
Commercial service liabilities	4,554,000	2,331,000	2,058,000
Total liabilities	$45,420,000	$43,514,000	$39,313,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of August (Millions of dollars):			
Manufacturing	$54,100	$54,100	$50,400
Wholesale	12,800	12,700	12,500
Retail	24,200	24,100	23,700
Total	$91,200	*$91,800	$86,600
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of October (000's omitted):			
Total U. S. construction	$1,699,872	$11,247,096	$1,878,341
Private construction	866,630	644,028	1,141,589
Public construction	833,242	603,068	736,752
State and municipal	703,356	526,609	607,499
Federal	129,886	76,459	129,253
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Sept. 30:			
Total consumer credit	$43,011	$42,881	$40,074
Instalment credit	33,159	33,045	30,707
Automobile	15,519	15,455	14,533
Other consumer goods	7,867	7,868	7,497
Repairs and modernization loans	1,860	1,846	1,758
Personal loans	7,913	7,876	6,919
Non instalment credit	9,852	9,836	9,367
Single payment loans	3,644	3,606	3,361
Charge accounts	3,898	3,910	3,730
Service credit	2,310	2,320	2,226
COTTON GINNING (DEPT. OF COMMERCE)— To Oct. 1 (running bales)	2,498,552	------	5,523,648
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of September	659,651	666,549	825,303
In consuming establishment as of Sept. 28	1,079,895	993,041	896,125
In public storage as of Sept. 28	9,651,766	9,326,845	14,336,503
Linters—Consumed month of September	100,170	104,455	129,526
Stocks Sept. 28	711,503	724,454	671,671
Cotton spindles active as of Sept. 28	18,147,000	18,079,000	18,780,000
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1957 crop as of Oct. 1:			
Production 500-lb. gross bales	12,401,000	------	13,309,827
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Sept. 28	21,161,000	21,192,000	21,688,000
Spinning spindles active on Sept. 28	18,147,000	18,079,000	18,780,000
Active spindle hours (000's omitted) Sept. 28	8,441,000	8,368,000	10,678,000
Active spindle hours per spindle in place Sept.	422.0	418.4	427.1
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Sept.:			
Seasonally adjusted	144	145	144
Unadjusted	146	144	146
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of August:			
Death benefits	$222,100,000	$233,400,000	$203,900,000
Matured endowments	55,400,000	54,700,000	49,500,000
Disability payments	9,700,000	9,600,000	9,300,000
Annuity payments	44,700,000	46,500,000	41,900,000
Surrender values	105,700,000	107,500,000	84,100,000
Policy dividends	87,700,000	99,500,000	89,600,000
Total	$525,300,000	$551,200,000	$478,300,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of August (millions of dollars):			
Inventories—			
Durables	$31,760	*$31,696	$29,120
Nondurables	22,382	*22,397	21,258
Total	$54,142	*$54,093	$50,378
Sales	28,571	*29,030	27,588
MONEY IN CIRCULATION—TREASURY DEPT. As of Aug. 31 (000's omitted)	$31,133,000	$30,933,000	$30,757,000
NEW YORK STOCK EXCHANGE—As of Sept. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,824,130	$2,862,412	$2,815,501
Credit extended to customers	34,955	29,749	33,478
Cash on hand and in banks in U. S.	339,142	331,684	327,842
Total of customers' free credit balances	837,727	816,374	866,356
Market value of listed shares	201,622,023	217,897,831	210,014,923
Member value of listed bonds	98,481,183	98,529,855	100,587,883
Member borrowings on U. S. Govt. issues	96,190	139,053	84,481
Member borrowings on other collateral	2,192,797	2,164,355	2,228,618
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of August (000's omitted):			
Savings and loan associations	$883,097	$852,032	$920,744
Insurance companies	132,379	129,578	163,466
Bank and trust companies	378,221	390,108	507,563
Mutual savings banks	136,769	141,959	181,326
Individuals	310,316	324,968	319,126
Miscellaneous lending institutions	367,677	371,916	452,092
Total	$2,208,459	$2,210,561	$2,544,317
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Oct. 31	$274,170,055	$274,526,547	$275,372,172
General funds balances	4,306,587	7,334,772	4,704,070
Net debt	$269,863,468	$767,191,775	$270,668,102
Computed annual rate	2.891%	2.876%	2.630%

Continued from page 45

The Importance of Allies to U. S. Strategy and Policy

struggles we confront. The freedom to criticize is a basic and precious right of American Democracy. But criticism, especially in the perilous times we face, should be constructive and not destructive. Where we do not agree with their policies or actions, we may criticize our responsible officials in Government and urge our views upon them. At the same time, we must help our Government to carry its heavy load of responsibility. We should support reasonable requests for appropriations that may be necessary to increase our Natinal Security.

The patriotism of our people, the ingenuity of our scientists and engineers, the skill of our labor, the efficiency and productive capacity of our industrial plants, and the dedicated men and women serving in the Armed Forces and in other branches of our Government, make it possible for us to accomplish all these tasks and to maintain our power as the leading nation in the world.

But physical power, by itself, is not enough. It must be accompanied by spiritual faith, political wisdom and human understanding. They must be so employed that the ideas and the emotions moving men become vital factors in determining the outcome of any conflict. This has been true, in varying degrees, throughout history. Today that truth is all-important.

It is late, but not too late, to face up to the imperatives of the Cold War. In the battle for men's minds, Soviet successes have been due less to the genius of the Kremlin than to the lethargy of the West. We can still turn the Kremlin's own weapons against World Communism—and we can lead not from weakness but from genuine strength.

Boettcher Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harry W. Lloyd, Jr. has joined the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Join First International

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert P. Lowther and Charles C. Phythian are now with First International Corporation, Denham Building.

Two With R. D. Standish

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Hugh B. Hitchcock and John W. Weinhardt have become affiliated with R. D. Standish Investments, 1227 Walnut Street.

With Johnson & Geisler

POMPANO BEACH, Fla. — Bernard L. Voss is now affiliated with Johnson and Geisler, 2631 Atlantic Boulevard.

A Calm Appraisal, Anyhow

"There is some disappointment I think in the seasonal upsurge of fall buying. There is some increased unemployment.

"On the other hand, the demand for money is just as great as ever, and every day I have complaints brought to my office why don't I print some money or do anything else and get it out to the public. So there is not all of the indications are on one side.

Pres. Eisenhower

"And this, I point out, is again indicative of our kind of economy. One corner of one section is prosperous, another isn't. One class is prosperous, another isn't. So all you can do is to get the very finest brains together that you can and see exactly what you are to—what is the best thing government can do.

"And government generally speaking in the financial world, is confined to what the Federal Reserve Board decides to do, plus the rate of Federal spending and the taxation policies, and so on."—President Dwight D. Eisenhower.

Good enough so far as it goes. But the President on various occasions has let it be known that his Administration would go much further should the philosophy of the Employment Act require it.

DIVIDEND NOTICES

NATIONAL SHIRT SHOPS

OF DELAWARE, INC.

DIVIDEND NO. 65

The Board of Directors has declared a regular quarterly dividend of 20c per share on the Common Stock, payable November 29, 1957 to stockholders of record November 20, 1957. Transfer books will not be closed.

SYLVAN COLE
Chairman of the Board

DREWRYS

A quarterly dividend of forty (40) cents per share for the fourth quarter of 1957 has been declared on the common stock, payable December 10, 1957 to stockholders of record at the close of business on November 22, 1957.

Drewrys Limited U. S. A. Inc.
South Bend, Indiana

T. E. JEANNERET,
Secretary and Treasurer

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock—A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock payable to stockholders of record at the close of business on December 9, 1957.

Common Stock—A quarterly dividend of $0.25 per share on the Common Stock, payable January 1, 1958 to stockholders of record at the close of business on December 9, 1957.

Transfer books will not be closed. Checks will be mailed.

J. W. REILLY, *Secretary*

acf INDUSTRIES, INCORPORATED

Common Dividend No. 152

A dividend of $1.00 per share on the common stock of this Corporation has been declared payable December 14, 1957, to stockholders of record at close of business November 29, 1957.

C. ALLAN FEE,
Vice President and Secretary

November 7, 1957

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND No. 134

A regular quarterly dividend of fifty cents (50c) per share on the issued and outstanding common stock, $10 par value, of this Company has been declared payable December 23, 1957 to shareholders of record at the close of business November 27, 1957.

4.08% PREFERRED DIVIDEND No. 14

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable December 5, 1957 to shareholders of record at the close of business November 22, 1957.

Transfer books will not be closed. Checks will be mailed.

W. E. Hawkinson,
Vice President and Secretary

November 6, 1957

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY

Dividend No. 906

The Board of Directors has declared Dividend No. 906 of forty cents ($.40) per share and an additional year end dividend of forty cents ($.40) per share of $12.50 par value Capital Stock, payable December 16, 1957 to stockholders of record December 5, 1957.

Checks will be mailed by The Chase Manhattan Bank, Dividend Disbursing Agent.

JOHN W. HAMILTON,
Secretary

November 12, 1957

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

141st Common Dividend

The Board of Directors has declared a regular quarterly dividend of 60c per share on the Common Stock of the Company, payable on December 2, 1957 to stockholders of record at the close of business on November 18, 1957.

GEORGE SELLERS, Secretary

November 6, 1957

IBM

171ST CONSECUTIVE QUARTERLY DIVIDEND

STOCK DIVIDEND

The Board of Directors of International Business Machines Corporation has today declared a quarterly cash dividend of $.60 per share, payable December 10, 1957, to stockholders of record at the close of business on November 13, 1957. The Board of Directors also declared a 2½% stock dividend, payable January 28, 1958, to stockholders of record on January 6, 1958.

C. V. BOULTON,
Treasurer

590 Madison Avenue
New York 22, N. Y.
October 29, 1957

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

DIVIDEND NOTICES

PEPPERELL FABRICS — PEPPERELL MANUFACTURING COMPANY

Boston, October 25, 1957

DIVIDEND NOTICE

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable November 15, 1957, to stockholders of record at the close of business November 8, 1957.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agent.

FREDERICK D. STRONG, *Secretary*

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on December 13, 1957 to stockholders of record at the close of business on November 15, 1957.

D. H. ALEXANDER,
Secretary

November 6, 1957.

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

91st Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Company declared a regular quarterly dividend of 25 cents a share on Common Stock, payable January 10, 1958 to stockholders of record Dec. 19, 1957.

PREFERRED STOCK DIVIDEND

The directors also declared regular quarterly dividends of $1.18¾ on the $4.75 Sinking Fund Preferred Stock and $1.25 on the $5.00 Sinking Fund Preferred Stock, both payable January 10, 1958 to stockholders of record Dec. 19, 1957.

EDWARD L. JOHNSON
October 24, 1957 *Secretary*

PHELPS DODGE CORPORATION

The Board of Directors has declared a fourth-quarter dividend of Seventy-five Cents (75¢) per share on the capital stock of this Corporation, payable December 10, 1957 to stockholders of record November 19, 1957, making total dividends declared in 1957 of three dollars ($3.00) per $12.50 par value share.

M. W. URQUHART,
Treasurer.

November 6, 1957

RICHFIELD

dividend notice

The Board of Directors, at a meeting held November 7, 1957, declared a regular quarterly dividend of seventy-five cents per share for the fourth quarter of the calendar year 1957 and a special dividend of fifty cents per share on stock of this Corporation, both payable December 14, 1957, to stockholders of record at the close of business November 18, 1957.

Norman F. Simmonds, Secretary

RICHFIELD *Oil Corporation*

Executive Offices: 555 South Flower Street, Los Angeles 17, California

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Nation's Capital is a busy place these late autumn days, even with Congress in adjournment. The Pentagon, the World's largest office building, across the Potomac in Virginia, appears to be one of the busiest spots.

There seems to be a quickened pace both among the military and civilians along the 27 miles of corridors. At the same time there is a "sense of urgency" at the Department of State and other departments of the government. Washington seems to be undergoing a truly rude awakening because of the great and dramatic Russian scientific achievements.

Scientists and engineers from various parts of the country are being summoned to the Capital for consultations. In President Eisenhower's first of a series of speeches, he said that the United States is ahead of our foremost competitor in the nuclear field. This belief apparently is shared by most qualified people.

Headlong Race with Russia

It is now apparent this country is in a headlong race with Red Russia in various fields of endeavor. So much so that some people in unofficial positions in Washington are talking about "if and when we get into another war." If there is all-out war, nuclear weapons and all, certainly it would not be a drawn out conflict like World War II or the Korean War.

No one knows how long World War III would last. However, at a private luncheon meeting the other day a responsible person representing the whole of free enterprise in this country, made a thought-provoking observation in his remarks. Said he, "World War III could be over in a week, or three weeks, but it stands to reason it could not last longer than three months. It really is too horrible to contemplate."

Scientists on Pedestal

It is now obvious that the role of scientists and electronic engineers has increased in importance and stature overnight. Some of the best electronic brains in the country are being called to Washington for consultations. Their future role is going to be tremendous.

The White House is definitely alarmed at the scientific shortage. Dr. Howard L. Bevis, Chairman of the President's committee on scientists and engineers, predicts there will be a continued shortage for another six or eight years.

Dozens of Congressmen are returning home from abroad, some from Red Russia. This has been another big traveling year for members of Congress. Most of them always return before the three major holidays, Thanksgiving, Christmas and New Year, so they can have turkey, dressing and pumpkin pie at home.

Ellender the "Champ"

Without doubt the most traveled member of the Congress of the United States is Senator Allen J. Ellender of Louisiana. Perhaps no one on Capitol Hill would dispute the fact that he travels more than any member. He works on the trips, as a member of the Senate Appropriations Committee, and Chairman of the Senate Agriculture Committee. He visits each embassy and consulate in the country he visits. He is just back from a flying trip that started Sept. 1. He visited Russia for three weeks and then all countries of the near East. He has been taking long strenuous flying trips abroad each year since the end of World War II. Following each trip he makes a series of recommendations suggesting appropriation cuts. Most of his recommendations are usually approved by the Senate Appropriations Committee.

"I have saved the United States Government millions of dollars as a result of these trips. I work when I go abroad. There is no junketeering on my trips." Perhaps most of the indefatigable Louisianan's colleagues will agree with his statements about his traveling.

Despite the population growth and prosperity, the number of independent department stores in this country is shrinking. On the other hand, chain department stores are providing more outlets and are expanding generally.

Rural Population Growing

Although the farm population is declining, the rural population is increasing. Persons living in communities of fewer than 2,500 are classified as rural. The new estimates place the farm population at about $20,396,000 fewer than a year ago. On the other hand, the rural population is now listed at 60,677,000 compared with 57,-985,000 a year ago.

The Rural Electrification Administration, lending agency of the Department of Agriculture, says that 95% of the Nation's farms are now electrified. REA is serving 4,945,000 consumers on 1,400,000 miles of line in 45 states, Alaska, Puerto Rico and the Virgin Islands.

Stresses Free Enterprise

The International Cooperative Administration, along with the Department of Defense shoulders the responsibility for coordinating the foreign aid programs and for the actual conduct of mutual security programs. A semi-autonomus unit of the State Department, it is organized on a regional basis with supporting technical and management staffs. The four regional offices are Africa and Europe; Latin America; Near East and South Asia; and Far East.

Programs which ICA either operates or coordinates embraces these major categories: military assistance, defense support, technical cooperation, development assistance, mutual defense assistance control and special programs. Under technical cooperation, this country has been sharing its knowledge, experience, techniques and skills with peoples of less developed countries to assist their economic development and raise their standard of living.

Billions have already been spent and additional huge sums are likely to be spent. A few weeks ago ICA issued what is known as "Policy Directive 9," setting forth the asserted economic philosophy of the United States. The directive declared that private ownership means better management, research, quality control, lower prices, increased employment and capital growth. Thus, ICA said it shall be the policy of the agency to aid in the development of the private enterprise economy and not be prepared to finance publicly owned industrial enterprises. Of course there would be exceptions to the publicly owned foreign enterprises.

Directive Well Received

An ICA spokesman said a few days ago that the directive has received both commendation and criticism, but most of the comment has been favorable. Engineers are voicing endorsement of the directive. A Washington consulting engineer, who keeps his fingers on the engineering pulse, said at a small private luncheon that the directive is receiving commendation among the technical people.

Mr. Burrus, Illinois-born and Alabama and Georgia educated, says the directive is particularly important in helping to clear the atmosphere. He said that in the past engineers have "found the atmosphere of socialization most confining when undertaking overseas industrialization projects" with foreign aid funds.

The engineer declared that too often foreign representatives who are directing the expenditure of United States assistance funds fail to understand the need for private capital behind the brick and mortar of a factory, mill or plant. He also maintained that in the past that the representatives of the American Government have failed to point out and emphasize the free enterprise philosophy of the United States to some countries seeking greater industrialization through American dollars. He cited Korea as an example. Many millions of American dollars have gone into large scale manufacturing plants, all under Korean Government ownership and operation.

On the other hand, he said, the Army on Okinawa has emphasized private enterprise in helping this Far Eastern Island to develop its economy to the limit permitted under occupation by U. S. military forces. He added that Okinawans, individually and in corporate groups, are aiding our military forces in establishing a balanced free enterprise economy.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"I presume, Sir, you'll be kind enough to tell me when you're through?—I'm rather anxious to turn the page!"

Business Man's Bookshelf

Annual Report of Board of Direction of American Society of Civil Engineers—1957—American Society of Civil Engineers, 33 West 39th Street, New York 18, N. Y. paper.

Atlas of World History — Rand McNally & Co., P. O. Box 7600, Chicago 80, Ill., $6.95.

Columbia University Press Fall Catalogue — Columbia University Press, 2960 Broadway, New York 27, N. Y.

Effects of Radiation and Fallout—James F. Crow—Public Affairs Pamphlets, 22 East 38th Street, New York 16, N.Y. (paper), 25c.

Export/Import Traffic Management and Forwarding — Alfred Murr—Cornell Maritime Press, Cambridge, Maryland — cloth — $7.75.

Extent of Voluntary Health Insurance Coverage in the United States—Health Insurance Institute, 488 Madison Avenue, New York 22, N. Y. (paper), on request.

Farm Loans: A study of Agricultural Loans of Commercial Banks in the Tenth Federal Reserve District—Federal Reserve Bank of Kansas City, Kansas City, Mo.—Paper.

Farmers Bank of the State of Delaware—Commemorative history of bank on occasion of 150th anniversary—Greenwood Book Shop, Wilmington, Del.

Foreign Exchange Regulations in Great Britain—14th supplement—Bank for International Settlements, Basle, Switzerland—15.-Swiss francs (complete original compilation with supplements, 95.-Swiss francs).

Greece: American Aid in Action 1947-1956 — Twentieth Century Fund, 330 West 42nd Street, New York 36, N. Y. (cloth).

National Directory of Club and Party Plan Houses — Gale Research Company, 116 Book Tower, Detroit, Mich.—$15.

Our Determination of the Difference Limen for Intensity Modulation of Pure Tones, Its Validity and Its Topo-Diagnostic Efficiency—E. Luscher—Translation by Beltone Institute for Hearing Research, 2900 W. 36th Street, Chicago 32, Ill.—(Paper).

Plastic Tooling Shrinkage Test Method — Orville D. Lascoe — American Society of Tool Engineers, 10700 Puritan, Detroit 38, Mich., $4 to members; $6 to non-members.

Vitamins and Health — William Rubin—Public Affairs Pamphlets, 22 East 38th Street, New York 16, N. Y.—paper—25c.